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Standing Committee on

PUBLIC ACCOUNTS

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Legislative Assembly of Ontario

Standing Committee on Public Accounts

Estimates, Office of the Provincial Auditor

First Session, 34th Parliament

Thursday, December 17, 1987



Speaker: Honourable Hugh A. Edgihoffer

Clerk of the House: Claude L. DesRosiers

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, December 17, 1987

The committee met at 9:08 a.m. in committee room 1.

ESTIMATES, OFFICE OF THE PROVINCIAL AUDITOR

On vote 3001, administration of the Audit Act and statutory audits program:

Mr. Chairman: Members of the public accounts committee will come to order. We are on vote 3001, the estimates of the Provincial Auditor of Ontario. We have with us Doug Archer and seated beside him is Jim Otterman. At the back on my left, the first person is John Sciarra and seated next to him, hiding behind the TV screen back there, is John Cruise. I am going to ask Mr. Archer if he has any opening statements.

Before that, I would like to thank Wendy for some very extensive research which was provided to members of the committee. I know of no estimates that I have gone into that have ever had such extensive briefing notes for the members. I thought it was important that we have fairly extensive briefing notes, since many of you are new to the Legislature and certainly new to the committee. I think Wendy has done just an excellent job and I am sure that will help some of us to focus our questions and get more out of these estimates than we would if we had come in by the seat of our pants, so to speak.

Having said that, Mr. Archer.

Mr. Archer: With reference to your remarks about the new members, I thought it might be beneficial if I started off with just a few general remarks about our office and also about the estimates process.

You will recall that about three weeks ago now, at the first meeting of this committee, there was some discussion about the role and function of the office. We showed a video and there was quite an extensive discussion following that video. I would just like to remind you of a few of the messages that we hope came across that day.

One is that the Office of the Provincial Auditor is the external auditor for the government of Ontario. This office is independent of the government and all members of the office are servants of the Legislature. We are appointed and function under a piece of legislation known as the Audit Act and we report annually through the

Speaker to the Legislature of Ontario. This is the document for 1987, which was tabled about two or three weeks ago.

With respect to the estimates themselves, it should be noted that all estimates must be reviewed and approved internally before they are presented to the House. Estimates for ministries of the government are reviewed and approved by Management Board of Cabinet and the estimates for the legislative bodies such as ourselves, and that would include people like the Ombudsman and the Chief Election Officer, are reviewed and approved by the Board of Internal Economy.

Once they are approved internally, they are then presented to the House and are allocated to committees for consideration. The estimates for the Office of the Provincial Auditor are allocated to the standing committee on public accounts. After consideration by the committee, the chairman of the public accounts committee will report the results of the committee's deliberations with a resolution that supply be granted, hopefully in the amount that we have requested. Subsequently, the House will formalize the authorization of this and other estimates with the passage of the Supply Act.

The process may be a little more readily understood if we move from the abstract to the actual. To illustrate, let us take our estimates for last year, which was 1986-87. They were reviewed and approved by the Board of Internal Economy on April 15, 1986. They were then considered and accepted by the standing committee on public accounts on December 18, 1986, almost a year to the day. They were reported to the House by the chairman of the PAC, with a resolution for supply, on January 12, 1987. The estimates were formally authorized by the Supply Act passed on February 12, 1987.

For this year's estimates, 1987-88, we are today at the second stage of the four stages in the process. The first stage, which was review and approval by the Board of Internal Economy, took place on February 16, 1987.

With those general background comments, I would like now to go through the 1987-88 estimates briefing book page by page. I certainly do not intend to review the contents word by word or even line by line; rather I will try to point out what might loosely be termed highlights on

each page. Certainly all members are invited and encouraged to ask questions as we go along throughout this process.

If we could turn now to page 1 of the briefing book, headed up "Synopsis," that captures the whole story. Our estimates this year are in the amount of \$6.6 million, which represents an increase of about \$245,000, or a little less than four per cent over what we requested last year. That increase essentially consists of employee benefits for early retirement under the voluntary exit option. I do not know whether members are familiar with that, but it is a plan that the civil service has had in effect for a year, and I guess it will last about two more years. It is part of an overall plan to rejuvenate the civil service and to try to encourage people who are approaching retirement to retire a little early. The incentive for that is up to an additional six months' cash payment at the time they leave.

We have about five people in our office who would be entitled to the benefit under this option, so we put in our budget the amount of money that would be necessary as a severance payment, if you like, should they elect to retire.

Mrs. Fawcett: Excuse me, is that related to age?

Mr. Archer: An age?

Mrs. Fawcett: How do they decide, so many years of service?

Mr. Archer: It is generally an age factor. You have to meet the requirements of the act, be age 60, 20 years of service and that sort of thing, but it is primarily for people who may be 62. Instead of waiting three more years, it will encourage them to go out earlier.

Mr. Chairman: Are there any further questions on that? I wonder if I may ask a question on that then. One of the things that seems to be a factor in your area is that you seem to be heavily loaded with junior people and trainees but kind of scarce in the senior posts. I am wondering if this early retirement is one of the factors affecting what appears to be a little thinness at the top as compared to a large influx of people at the bottom.

Mr. Archer: No. The early retirement really has had no effect on that. The main contributor in that area is just that the economy in Ontario in the last few years has been extremely good. They are university graduates, many of them with an Master of Business Administration, and they have an accounting designation: Chartered Accountant, Certified General Accountant or Certified Management Accountant. With the econo-

my being so good, the job market, particularly in industry, is offering salaries much higher than we can. So there is considerable turnover of our staff after they have moved from the trainee ranks. That is the prime reason for the shortness of staff at the middle ranges in our office.

0920

Mr. Chairman: Mr. Offer wants to comment on that, but just to put it in context, I think only two thirds of the supervisor and technical staff positions were filled, while the trainees were one and a half times above complement. We may want to look at that when we get into that area and perhaps have a larger, more elaborate explanation.

Mr. Offer: To carry on with the point which you had started, with respect to the top end being somewhat vacant and the bottom end having a larger market, I would like to get some idea from you whether people coming in at the trainee level—I have read the material and I know the market from where they came—look upon this as a career move, as opposed to a stepping stone. In other words, is there any thought about whether those who come in at the bottom level are given some incentive to remain and work their way up the ladder within your particular office?

Mr. Archer: We have an incentive of some sort, in that we have several levels within the office to which they can progress. If you look at our chart or list of positions, you will see that from auditor trainee they go to auditor, audit supervisor, audit manager and so on. We have a progression for them. Also, even within the student range, we have three levels of students, and we increase their salaries fairly significantly at each stage.

The big problem with a civil service generally, not just our office, is that people who are heavily qualified, if you like, can do better outside of government. Unless they have a particular love of auditing, which is the sole business we are in—if they are with a public accounting firm, for example, they might go into trusteeships or bankruptcies or consulting or some other branch of that operation, while our office is solely in the auditing business. So unless they take to auditing, they are going to be looking elsewhere anyway. We are certainly salary-competitive with public accounting firms, as far as progressing up through goes, but where we do not compete well is when they decide they want to go to industry, maybe as an internal auditor or as a financial analyst somewhere in the private sector. They are paying much more money than we can.

Mr. Offer: Do you have any information about the turnover rate at the bottom level? In other words, how long, on average, do new persons remain with your office?

Mr. Archer: I do not know if I have statistics on exactly how long they stay. Generally speaking, though, they will stay until such time as they get their accounting designation. That could take anywhere from two to five years, depending upon what kind of academic credits they had when they arrived and just how fast they progress in achieving the various examinations they have to pass.

They do not all stay with us. Some will leave because they do not like auditing or decide they are not going to complete their accounting course, for one reason or another. Some we will counsel out. We find that maybe they are not suited for our office, or that the likelihood of their passing the exams is pretty remote. So not all the turnover is initiated by the employee. Some of it is initiated by ourselves.

Mr. Offer: I think you said that the voluntary exit option does not really have any impact on your office?

Mr. Archer: No.

Mr. Offer: Having said that, there are vacancies at the top end.

Mr. Archer: In the middle range, basically.

Mr. Offer: Where do you fill those spots?

Mr. Archer: If you look at appendix F in the book you will see that, as Ed mentioned in his earlier remarks, we are overstaffed, if you like over complement, in the audit trainee section, whereas if you look particularly at the next two levels above that, auditors or auditor equivalents and audit supervisors, we are under.

That was on November 30, but as of today the situation has considerably changed because the chartered accountant examination results came out in the first week in December. We had 16 people writing the final CA exams this year. So potentially we have 16 people who have moved automatically from the auditor trainee up into the auditor category, assuming that they like us and we like them. When they pass their exams they get promoted to the auditor level.

The national average was 50 per cent pass rate on those CA exams. That is exactly what we got. Eight of them passed. So we will have eight additional auditors as of today; that is not reflected here. You will be down from 42 to 34 and from 12 up to 20. That helps the picture considerably.

The area of supervisors, strangely enough, is the one in which we have had an unusually high turnover in the past two years. Just to repeat earlier remarks, it is because the job market is so good out there that people can sell themselves for more money than we can pay.

Ms. Martel: To carry on with that a little further, in terms of the high turnover rate, what effect is that having on the morale of the organization or its overall effectiveness?

Mr. Archer: We have always had a turnover of some sort in the office. You know you are going to have that. It is the nature of the game. Public accounting firms have the same problem with people whom they train and who graduate while working for them. They are out in industry, and they may even come to us. Some of our people may leave us and go to a public accounting firm to see what the outside world is like. Some of the people from public accounting firms want to see what government is like so they will come to us. There is always that certain amount of turnover. We have learned to live with that. It is when it gets unusually high that it has an effect on the operation of the office.

We try to counter that as best we can by recruitment. We have just recently recruited a number of people at the supervisor and auditor level. We have also tried to counter that by buying staff from public accounting firms on a short-term basis. We do an awful lot of crown agency audits, which are essentially the type of audit work that public accounting firms do.

Most of our audit work is in the period of April through July or August, which is a downtime, if you like, for the public accounting firms that have year-ends earlier than that. So we can purchase staff on short term, on a one-, two- or three-month basis from public accounting firms. When we are short, because of a higher turnover than normal, then we will try that route and buy staff on a short-term basis.

We can make do, but I cannot deny that it does have some effect and we have to do a lot more scrambling around to try to cover off our audits. The big problem is the experience that we lose when a supervisor leaves, especially when that supervisor generally has come up through the ranks as opposed to being hired, although we do some of that. If a supervisor comes up through the ranks, he or she has from two to five years as a student, probably two or three years as an auditor and another one or two as a supervisor. You lose eight to 10 years of experience in the office. That is hard to replace.

Mrs. Fawcett: On appendix F, I wonder about the trainees. It was budgeted for 28 and then 42; and also the audit managers went up from 14 to 16. I am assuming that was because you needed two managers to look after the extra staff. My question is about efficiency and consistency. There are a couple of questions there. The first is the increase over what you budgeted.

Mr. Archer: The increase from the trainees is really reflexive. I mentioned we had hired some people at the supervisory level, although they are hard to come by; and to maintain our staff complement we got more people in at the junior level, hoping we can hold more of them once they get through the exams. It may well be, and maybe Jim could comment on this.

We are trying to hold some of these people. As I mentioned, we have had a heavy run on supervisors. We have lost about seven or eight of them over less than a year, I guess. We have probably promoted a couple of the supervisors to managers just to try to hold on to them, and that is likely why we are up two in the manager category.

0930

Mrs. Fawcett: Are you suggesting that is maybe an area where we are falling down, that we should be really seriously looking at something, an incentive to hold these people so we can keep the consistency and the effectiveness?

Mr. Archer: I do not know whether we can really do enough. We do not want the operation to be dictated by what is going on in the private sector. I would rather try to weather the storm as best we can and still adhere as closely as possible to the act, which says that our salary levels should be comparable with those paid in the civil service, and they are.

As I say, we might promote the odd person a little earlier if there is somebody we want to keep because that would make it less attractive for him or her to go elsewhere, but I think to try to do something on a wholesale basis that would hold people would lock us into an overly high salary structure. Three years from now there may be a turnaround in the economy and the people would just stay for ever.

Some turnover is good. I would not want an operation where nobody ever left. We need a certain amount just to keep the operation fresh, with new ideas coming in and so on.

Mr. Ballinger: With respect to your comment about 16 staff people writing the exam at the chartered accountant level and only 50 per cent passing, which I think you said is in keeping with

the national average, I personally found that absolutely amazing. What happens to the eight who do not pass?

Mr. Archer: They stay on. They have experience.

Mr. Ballinger: In what capacity? Do they finally pass the exam, or does a certain percentage of those people sort of just realize that they are going to be a trainee or in that slot for the rest of their life?

Mr. Archer: Our office policy is to allow every person at least two cracks at the finals. Most CA firms, I think, would push them out the door unless they came very close to passing. If they missed by a considerable amount, I think most CA firms would shake hands and say, "I think you had better try your career somewhere else."

In our office, if they are doing a job for us, if they are contributing to the workload in the office, we will keep them on for at least two tries. In this case, we have eight who did not succeed. I think for two or three of them probably, that was their second try.

Mr. Otterman: Four or five were for the first time.

Mr. Archer: For four or five of them, it was their first crack. All eight of them are doing a good job for us in the work department, so we will keep them on.

Surprisingly, the pass rate on the second try is much higher than you would think. The students need one crack at a lot of these exams to find out how to go about it, how to write these things. It is a lot different from writing exams in university, where generally maybe half the marks are based on your term work or something so you only have to get 55 per cent on the final and you pass. Here, everything rides on that final set of exams, and if you do not pass those, you are out. You have to get them all. If you get three out of four—there are four exams in the final chartered accountant exams—that is not good enough. You have to write them all again the next year.

That is quite an experience and a sobering experience for many bright university students. Many of them will come in shattered. It is the first time they have ever failed anything in their lives, the final CA exams. So they regroup then, find out how they are supposed to write these things, how they are supposed to study for them and so on, and the second time around their success rate is pretty good.

Mr. Ballinger: As you know, for most of us this is the first time on the committee, but I

always read the Provincial Auditor's report. Long before getting involved provincially, I always read the auditor's report with interest, about the recommendations and how various ministries can improve.

It seems to me that the turnover—and certainly Joan touched on it—does not make for a very efficient operation. I wonder if this was happening in another ministry that was being inspected by the auditor and what his response or his recommendations would be to the specific ministry. In all the information we have, you are looking at a 3.9 per cent or a four per cent increase. It does not seem to me that there are any remedies in those recommendations how, as the auditor, you can improve the overall efficiency within your own department. I just wondered if you would like to comment on that.

Mr. Archer: I guess I have said we have learned to live with a certain amount of turnover. I think that is inevitable in this type of business, and certainly public accounting firms will tell you the same thing.

The turnover is in the lower levels, basically in the auditor-audit supervisor area. Once we get people up into the manager level, their salary is getting to a point that to make a move for more money is much more difficult. It is fairly stable from the manager level on. Of course, we have to be very careful whom we move up into the manager level and beyond because they are going to be there. Nine times out of 10, they are going to be there for the rest of their career; so you want to be sure they are people you want to have on staff.

It is that auditor-supervisor range that is so critical. It is in that area where we cannot really compete with industry. We lose people basically on account of salary, although quite often people want to try something else. Auditing maybe is not what they want to do for the rest of their lives. They want to try accounting or some aspect of that.

Maybe I have been in the business too long and therefore this turnover problem does not bother me to the same extent as maybe it should, based on your comments. I just think it is something you have to ride through. The economy is good right now, but going back five or six years the economy was bad and we had virtually no turnover at all. If I were to choose between the two—no turnover and the situation we have now—I think I would take what we have now, because we keep getting new blood, new ideas into the organization and I think that is good for us.

Mr. Otterman: I would like to add to that. Although they are classified as junior, intermediate and senior trainees, we have people in that senior category—of the 16 writers, many of them have three and a half, four or five years' experience. In effect, they are qualified, except they do not have their ticket as auditors. Once they get their ticket, they are being promoted. It is not like they are really a junior group. However, your point about the turnover still affects us when they go. We are also losing that experience they have gained.

Mr. Archer: I might just comment on that. I was going to comment earlier that the exam results are kind of a mixed blessing. We are happy for those who pass, but we are not too sad about those who do not make it because we know we are going to have them for at least another year.

Mr. Ballinger: I will not comment on that one.

0940

Mr. Dietsch: I think the point the auditor makes is a valid one, because many of the same people are performing the same functions as they would perform with the ticket, but on a much lower-priced scale. Really, the auditor's department is getting a considerable amount of value at a longer period of time, until the next attempt at a ticket. I think he explained quite well the essence of the CA exams, that are, I know from first hand, considerably more difficult to achieve than what the average person really understands, having some one in my family who has gone through it.

Mr. Ballinger: You have got one vote, Doug, anyway.

Mr. Chairman: Any further questions related to appendix F? If not, I had a couple of questions.

Mr. Archer, on pages 24, 25 and 26 of your last audit report, we deal with some of the inadequacies of the internal audit. I am wondering if you would consider, from the point of view—not only of helping your temporary auditing requirements, but also from a point of view of improving the internal audit of the ministry—a program of co-opting auditors from within government services, rather than going into the private sector market to fill those vacancies that you have.

Surely that would serve an educational function in improving certain ministries in the deficiencies they now have in their internal auditing, particularly the comprehensive auditing functions, and at the same time might save

the taxpayers some money by using people who are already on the government payroll. I am wondering if you would comment on that.

Mr. Archer: When we advertise for staff, we generally do it in the general newspapers, as opposed to the government newspaper. It is open to anybody. Members of the internal audit community can apply for the positions the same as people outside, and many do. I do not recall off-hand; I know we have hired people from the internal audit community over the years. I might just comment in that respect that generally the flow is the other way. A number of our people who like a government environment, who maybe want a change of pace or see more promotional opportunities somewhere else, will go from our staff to internal audit departments. A number of our people have gone that route.

We have also considered exchanging staff between internal audit and ourselves, or seconding staff one way or another. We have done it on a given project basis rather than a time basis. Often when we go to do an audit, we ask internal audit if they want to put one of their staff members on our team. Quite often they will agree and we benefit, because we have somebody on the team who is totally familiar with the ministry. They can help steer us around and the internal audit benefits because of the expertise. Particularly in the areas such as EDP, for example, where many of the internal audits are not quite up to snuff, they will benefit from their association with our staff. That has worked fairly well.

We also have one or two of our staff who are now seconded to internal audit with an option that if the internal audit wants to keep these people, fine; if not, we will take them back. We have not done as much in that manner as we would like to because it has to be an exchange. Internal audit does not want to give us anybody, unless it can get somebody in return. Consequently, because it is short-staffed to the same extent we are, when it is an exchange basis a little more thought has to be given to the process because you are giving up somebody who you know can do a job for you and you are getting somebody in who is a question mark. If it were somebody coming in on a secondment, we would not have to give anybody up, there is not much risk involved. When you have to give somebody up that you know is good, a little more thought process has to go into it.

It certainly is an area, I do agree, that can be explored further; and it is one we want to explore further, because we want to improve the relation-

ships between our office and internal audit, I think both of us can benefit.

Mr. Chairman: I guess the point I was making is that maybe it could be sold to the ministries as a professional development opportunity on a very short-term basis, because you are going out and hiring in the private market and paying companies for a service on top of whatever salaries they may be paying for their staff. It could be sold as a professional development opportunity to ministries to have some of their auditors serve on your staff for three months; not to audit their own ministries, which I think would be somewhat of a conflict, but to deal with crown corporations and so forth. You might be able to sell that. If I were a deputy minister I might say, "Boy, if I could get a couple of my auditors over there who really know how to do this properly and become more proficient at it, I might be willing to give up one or two of my accountants for three months, knowing I would get them back."

Similarly, an accountant might not want to go to work for you as a career opportunity, but he might see it as a career opportunity if he simply has training to do his job more efficiently.

Mr. Archer: I think that is a good suggestion. We will be dealing with Management Board as a result of the internal audit study that we did and which was reported on in this year's report. Certainly, through that office, I think we can try to promote this secondment idea that you have just mentioned.

Mr. Chairman: Thank you. Would you like to continue, Mr. Archer?

Mr. Archer: Could I go back to the beginning of the book and continue page by page? We move on to page 2. There is a dazzling array of figures here, but it is an attempt to break down the \$6.6 million mentioned on the previous page by what are called standard accounts. They are really expense categories such as salaries, wages, employee benefits and so on. They are shown down the left-hand side of the page.

If you move over and look at the four columns on the right-hand side, you see the final estimate figure of 1986-87, which totals \$6.3 million. Just to the right of that is the actual expenditure for 1986-87, which is just over \$6 million. You can see we underspent. I guess chronic underspending is a feature of the department. I think the reason, as may be obvious from some of the earlier discussions, is that we staff and budget for so many people, such as a supervisor, auditor and trainee. If we have an overload, if you like, of trainees and an underflow at some of the higher

positions, we are saving money salary-wise. It is that, plus the turnover, which make it almost impossible for us to keep to full complement. It results in us underspending, usually \$200,000 to \$300,000 a year.

Next to that is the estimate for 1987-88, the \$6.6 million that I mentioned. It is broken down by the various expense categories. You can see that salaries and benefits combined total better than 75 per cent of our budget; so we are a very wage-oriented type of operation.

There are a couple of figures that probably jump out at you when you get down to services. You see that our estimate for the current year is perhaps almost \$500,000 more than we actually spent in 1986-87. That basically reflects the rent for our new premises. We moved about a year ago. Some of you, I know, like Ed and Bill Smith, have been down to see our new offices. We are certainly proud of them. They are new and well equipped. We think we have offices as fine as any of the major public accounting firms. From a recruitment standpoint, we will not lose people, as we used to, based on just the accommodation and the facilities in the way of computer equipment and so on that we could offer people. That is the reason for the big increase there.

0950

Moving down to the next item, you will see almost a reverse situation, about a \$500,000 decrease in supplies and equipment. Last year was particularly high in that area because of the one-time move. The new furniture, the refurbishing of the old furniture, purchasing computer equipment and so on caused last year to be high, and this year we are tapering back down to more of a normal supply and equipment situation. The increase and decrease there just about balance out.

Mr. Chairman: Mrs. Fawcett? I am sorry; are you finished, Doug?

Mr. Archer: I can take questions at any time.

Mrs. Fawcett: I am just wondering what the special warrants are. I did not understand that.

Mr. Archer: The special warrants are a device that the government has to obtain money necessary for the operation of the government and any special project that it might have in mind when the House is not in session. Two special warrants have been passed.

I have the dates of those. The House came back, I guess in April 1986, and the members had to pass a special warrant then to pay the salaries of the civil servants for the months of April and

May. Normally, the Legislature is in session and keeps passing interim supply motions. Maybe there has not been one since the new House, but there will be one before—

Mr. Chairman: We just had one.

Mr. Archer: OK. They keep passing those, which authorize the government to spend money to pay the expenses of government until such time as the supply act gets passed, and that formalizes the whole expenditure process. In the meantime, the Legislature passes interim supply motions.

When the House is not in session, it cannot pass these motions, so the only device the government has is to get a special warrant, which is an order by the Lieutenant Governor to pay moneys that are essential to the operation of the government. They passed one in April to cover the expenses for April and May. Then of course the House came back and got into the interim supply business.

After the election, the Legislature did not come back until November. The interim supply motions carried them up to the end of September, I think, so they had to get another special warrant to pay expenses for November. I guess interim supply carried them up to the end of October and they had to get a special warrant to pay expenses for the month of November.

Mrs. Fawcett: You keep that separate, as I understand, and do not work it into the—

Mr. Archer: Yes, because that does not have to be voted on. For example, today you should only be theoretically considering the \$4.8 million. The \$1.7 million is sort of locked in now because of the special warrant activity. That is why it is broken out that way and that is how it would show in the public accounts when they are issued at the end of the fiscal year. Much of the expenditure had to be voted on by the Legislature. The \$4.8 million will be what shows up in the supply act eventually, \$1.7 million having been approved by special warrant.

Mr. Chairman: Any further questions? Mr. Archer, would you continue in your explanation concerning page 2?

Mr. Archer: OK. The only other comment on page 2 would be that just at the bottom you can see we just quickly summarized our staff and schedule. Our appendix F got into that in much more detail.

Mr. Chairman: Mr. Archer, you mentioned, and we went through this extensively, your rationale for choosing the particular nice office space that you have. Part of the concern in

previous estimates was that you did not go to less expensive facilities, perhaps in North York or other parts of the city. We mentioned that it had to be downtown. I am wondering whether you have audited any of the additional travelling costs from your old office space, which would be nearer most of the ministries, to the more downtown office space that you now have. Is there very much difference at all in terms of that?

Mr. Archer: We may have an increase in the use of subway tokens, but it is minimal. We are not that far away. As long as the weather is clement, then people will walk. It may be an extra five minutes to walk from where we used to be, say, to the ministries around Queen's Park. When we set out to find new accommodation—Jim could probably comment on this.

Mr. Chairman: Before you do that, I wonder if I can interrupt. Would one of the members volunteer to find out what that bell is?

Interjection.

Mr. Chairman: Sorry. I am not used to meeting at nine o'clock. I thought we were being called for a vote. Carry on.

Mr. Archer: I was just going to have Jim explain the boundaries. As a preliminary remark, we wanted to stay close to Queen's Park because, off the top of my head, about 75 per cent of the people we audit, the auditees, are within a half a mile of Queen's Park. We wanted, therefore, to keep our office in the Queen's Park area. Jim, maybe you could comment on the area in which we looked for new space.

Mr. Otterman: We basically set the core area as Bloor Street on the north and Dundas Street on the south, or a little further down than Dundas Street. Generally, the further you go below Dundas Street the rents become so expensive they were not really feasible. With the proximity to our auditees, as Doug mentioned, a place, say further up the subway at Sheppard Avenue, for example, does incur time and more travel. We only looked at one building up there because we felt it was outside of the area; and one of the other agencies looked into it too. The difference in price on rent was not all that significant at that time.

Mrs. Fawcett: Further on the new premises, do you think this is having a good effect on the staff? You alluded to that, that maybe that will help.

Mr. Archer: Certainly, that was one of our reasons for moving. We had to move somewhere because we were just getting pushed out of where we were by the increase in staff over the years.

We had been in our previous quarters 12 years, so we had to get additional space somewhere and we decided to try to modernize the operation if we could, one reason being that we thought it would help us in our recruitment and in our retention of staff. It certainly helps us in recruitment. We have noted that.

The evidence on the other hand is not as good so far. We are hoping in the long run that it does enable us to retain staff as well, but we have had these counterbalancing effects. We have the economy booming and the opportunities are abundant out there for people, so it really has not shown any improvement as yet in the retention of staff, but certainly it is much easier to get them in the door once they have seen the type of operation we have.

Mrs. Fawcett: Do you have room for expansion?

Mr. Archer: Oh, yes.

Mrs. Fawcett: Potentially, you might be hiring more staff?

Mr. Archer: Yes. We were thinking that if we were to have 10 or 15 more staff, we could accommodate them where we are without having to get additional space.

Mr. Dietsch: How much of this increase on services is expected to be an ongoing increase and how much of the balance is one-time expenditure with relationship to the move? What is the ratio?

Mr. Archer: That is ongoing. The one-time aspect is supplies and equipment. Last year we bought a lot of new furnishings. We refurbished a lot of what we had. If you look down on page 2, the supplies and equipment for 1986-87 were very high. It dropped down considerably this year and should run at the figure that we have for this year.

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Similarly, the services has gone up because we are in much more expensive quarters now than we were, and that should continue at that level.

Mr. Dietsch: So the service has been constant then.

Mr. Archer: Yes.

Mr. Offer: I have noted in the legislative research paper there is a point which indicates that the estimates remain high because of the new policy of the Ministry of Government Services having ministries and agencies pay their own rent. Can you explain that to me and how that impacts on these estimates?

Mr. Archer: When was the first year? Was it last year that they charged us back for rent?

Mr. Otterman: It was 1986-87, but they only charged us for \$110,000.

Mr. Archer: Do you want to comment on that?

Mr. Otterman: Yes. That research material is true for legislative bodies such as ourselves, the Ombudsman and the assembly, if they are located in government premises outside this building, but it is not true for ministries and other agencies. The government does not charge back the rent. I just make that correction for ministries and agencies. MGS absorbs it; it is all in its budget.

In 1985-86, they started that policy for the legislative bodies like ourselves, and they charged us for the old premises we were in at 56 Wellesley up to November 1, 1986; it was \$110,000.

Mr. Offer: And in the new premises?

Mr. Otterman: In the new premises, we are paying that directly out of our budget to the landlord.

Mr. Archer: They would have charged us for the whole year. The first year would have been about \$225,000 in our old premises.

Mr. Offer: In your old premises?

Mr. Archer: Yes. We were only there for six months, so they charged us about \$110,000. Now we are in the new premises, and the rent on that is much larger. You cannot really compare the \$220,000 to the—what are we paying, \$600,000 now?

Mr. Otterman: Yes, \$660,000.

Mr. Archer: You cannot really compare the \$220,000 to the \$600,00 now, because we would have had to get additional space somewhere. The comparison is maybe \$400,000 or something to \$600,000.

Mr. Otterman: No; it is more like \$500,000 and some to the \$600,000.

Mr. Archer: If we could have got more space in that building we were in, it would have—the lease was coming up for renewal too.

Mr. Otterman: Yes. That is another thing. After December 1, 1988, we would have been paying about \$600,000 in the old building.

Mr. Offer: That would have come out of your budget.

Mr. Otterman: Yes.

Mr. Offer: The previous policy was that it was just picked up by MGS.

Mr. Otterman: That is right.

Mr. Archer: It does not cost the taxpayer any more.

Mr. Offer: I know that. I understand that and I am not even commenting on the amount of dollars. I am just curious as to the change in the policy and how that would reflect on these estimates so that we get a clearer picture.

Mr. Archer: If that is the case, if you are looking for that, you take about \$600,000 out of our estimates on the old basis, because the rent would have been paid out of MGS.

Mr. Chairman: From a policy point of view then, if I understand what you are saying correctly, you and such agencies perhaps as the Workers' Compensation Board would have what I would call your housing accommodation or accommodation expenses all in your budgets; whereas if you went to, say, the Ministry of Housing, they would be hidden in the budget of the Ministry of Government Services.

Mr. Archer: Right.

Mr. Chairman: Since we have had over time in the standing committee on public accounts some questions about certain ministries being a little lavish in the kind of accommodation they have, would it be more realistic to have the accommodation costs in the individual ministries, where they can be questioned directly during their estimates about why they are using certain premises and have some comparisons with the estimates in other ministries by having it by ministry rather than hidden under the Ministry of Government Services?

Mr. Archer: I think it would be beneficial. I believe that is the course they are on. They seem to be taking an unusually long time in effecting the policy, but originally Government Services had intended to charge out everything to the ministries, the cost of all services they were providing; in particular the rent. They started in 1986-87 by doing that with the legislative bodies such as ourselves. As far as I know, they have not, as yet, started to do it for the ministries. Why that is on hold, I am not too sure, but it would be achieved with the benefit that you just cited. There are additional costs involved—the cost accounting, exchange of vouchers, journal entries and that sort of thing. There are costs involved for this process of having each ministry pay its own way, so to speak, but I do think it gives a better picture of the cost of the operation of the particular areas of government.

Mr. Dietsch: Mr. Chairman, I am just wondering about your wording. I do not know

about hiding it as opposed to showing it in another area. I am not taking exception—well, maybe I am; I guess I am. I just do not understand hiding it as opposed to showing it in the area where it should be reflected.

Mr. Chairman: I think I used the words intentionally from past experience with one particular ministry, and I guess I was concerned about the accountability. When someone terminates a lease, as one particular ministry did, at considerable loss to the taxpayers, to move into more lavish facilities, who is accountable? Is it the Ministry of Government Services, which is eventually paying the paycheque, or the ministry in question? In terms of the accountability scale, I was simply asking the auditor. If you prefer the words "showing in another ministry," I do not mind, but the problem is who is accountable and who is going to be called before this committee if they really goof up. I am simply asking the auditor, would it not be simpler if all the ministries showed their accommodations costs under their ministries rather than under the Ministry of Government Services?

Mr. Dietsch: I think you are quite correct in the way that the expenditure should be shown. I think that should be the way it is done. I guess I was trying to follow your line of reasoning, and then I ran into trouble with your question in terms of hiding in relation to showing in another area.

Mr. Chairman: I guess we can use the word "showing" then if it makes you happier. Mr. Offer.

Mr. Offer: I forgot my question.

I just want to get a clear understanding. Prior to the new policy of 1986, legislative bodies and ministries basically had their accommodation charged through the Ministry of Government Services, and it did not matter whether it was a government or private sector type of tenancy. Is that correct?

Mr. Archer: Yes.

Mr. Offer: After the new policy, it is now the intention that for the particular legislative bodies and ministries—and I understood what you said with respect to the ministries—the accommodation expense will be reflected within the budget of the particular legislative body or ministry and that to date the only one that now finds itself within its budget and own estimates happens to be the legislative body and it has not yet been found within the particular ministries' budgets and estimates. Is that correct?

Mr. Archer: Yes.

Mr. Chairman: Are there any ministries yet that have transferred to the new system?

Mr. Archer: Not that I am aware of.

Mr. Otterman: Not to the best of my knowledge.

Mr. Chairman: So it might well appear in your report some time?

Miss Martel: A quick question. We were handed this separate sheet by Doug earlier, and I have page 2. I am just looking at the amount to be voted, which is different between both pages. I am wondering where I am missing something.

Mr. Archer: It was probably prepared earlier.

Mr. Ballinger: You are not supposed to be that alert so early in the morning.

Miss Martel: I was trying to figure it out. I am sure it is something easy. I just want to know which one we are voting on. I was looking at page 2 in your book and then at page 277.

Mr. Archer: These are the subsequent, revised estimates.

Mr. Otterman: They do not have a special warrant. Our number takes a special warrant. All special warrants do. These estimates were not complete; these are the revised estimates that are distributed.

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Mr. Archer: That does not reflect a second special warrant, is that it? There have been two special warrants, one to cover April and May. The document you have reflects that special warrant, and the amount to be voted is what—five, six—under yours?

Now, because the Legislature did not come back till November, a second special warrant was necessary to pay expenses for the month of November. There has now been a revision in this document, which I guess Doug Arnott did not distribute.

Mr. Otterman: That just came out on November 24.

Mr. Archer: Very current; that is the reason you have not got that.

Mr. Chairman: If members of the committee would like, we can have that reproduced for you.

You have further comments, Mrs. Fawcett?

Mrs. Fawcett: On page 3, what is included in "other"? I notice the word "other" in three places there. It is over \$1 million, when you add it up: under "Transportation and communication," under "Services" and under "Supplies and equipment."

Mr. Archer: You are talking about thousands here now, not millions.

Mrs. Fawcett: Sorry. OK; but if you add it all up—

Mr. Archer: Yes, it adds up to over \$100,000.

Mrs. Fawcett: Over \$100,000. OK, thank you.

Mr. Archer: Yes. Do we have a breakdown on the \$91,000? One thing that I know would be in there is the cost of producing our annual report, but can you identify some of the others, Jim?

Mr. Otterman: Yes. Data processing services from the Ministry of Government Services: that is a hookup to the big computer. Photocopier rentals are in there. Our audit fee of \$2,000, I guess, is in there.

Mr. Archer: Who audits us? Who is the auditor who audits the auditor?

Mr. Ballinger: He gets \$2,000?

Mr. Archer: It is a statement of opinion.

Mr. Ballinger: I will give you that for \$1,000.

Mr. Otterman: Perhaps the single largest item there is the production of a recruiting brochure this year, which had not been updated for nine years; or seven or eight years, something like that. That was about \$15,000, including the design and the production of it.

Mr. Archer: We could give you a detailed list, if you want it, but those are the major items.

Mrs. Fawcett: No, I just wondered.

Mr. Offer: With respect to the recruiting brochure, where is that sent? What is the type of distribution you do with that brochure? Is it just to the universities and community colleges or elsewhere?

Mr. Archer: We foist it off on anybody we can, including new members.

Mr. Offer: Do you send it to the members?

Mr. Archer: No, we just put it in your brief. We have not sent it to all the members, but as part of the—

Mr. Offer: Maybe we should send it out to all the members' constituency offices.

Mr. Ballinger: Also defeated candidates with a mathematical aptitude.

Mr. Archer: We would gladly do that, but we thought you had more than enough things to read already.

One thing that we did send to all members, and maybe the new members would not have it, is our 100-year anniversary booklet, which describes

the first 100 years of the Office of the Provincial Auditor. It is fairly short and a fairly interesting little book. If you were not overly loaded with reading material, I think you would get more out of that than you would out of this.

Basically, we send it to universities and community colleges that we do recruiting at, but we will hand it out at any opportunity we can to try to increase the profile of the office.

Mr. Chairman: Do you have any further comments, Mr. Archer, on page 3.

Mr. Archer: This is just a further breakdown of the figures on page 2. There we broke it down by standard account. On page 3 we are breaking down the standard accounts or expense categories into individual items. So unless somebody has a particular question, I could comment, I suppose, on the transfer payment to the Canadian Comprehensive Auditing Foundation. A couple of you were at the annual conference of that group.

That operation is financed basically by a levy against each of the legislative audit offices in Canada and by fees paid by the major public accounting firms in Canada. When they started off their operation several years ago, the legislative audit offices agreed that they would contribute to the foundation since their work enhances the work of our office. It helps with the methodology, training and so on.

Each legislative office agreed to pay one per cent of its budget at that time as an annual contribution to the foundation to finance it. Since that time, we have not adhered to the one per cent. We have merely taken the one per cent as it was at that time and added the inflation rate each year. Because our staff has increased, and we have gone to rented quarters that we now pay for ourselves, our budget has increased. If we were still paying one per cent, we would be paying something like \$66,000 a year to the foundation instead of \$44,000.

As you might have deduced from what I am saying, the major contribution from the legislative audit community is from the Auditor General of Canada, because his budget is in the neighbourhood of \$50 million a year. I think he has gone the inflation route as well in augmenting his payment, so the foundation is probably getting about \$400,000 from the Auditor General.

Mr. Chairman: Any further questions and comments?

Miss Martel: I do have a question about the category "other" under "Services," which I noticed, while going through the estimates from last year, has almost doubled. I wonder if you can

explain what is included in that category and the dramatic increase this year.

Mr. Archer: Can you explain what is in this year that was not in last year, Jim? It is just a rollup figure, and I guess we have rolled more things up this year.

Mr. Otterman: I do not have that open before me, but I think they had—

Mr. Ballinger: You knew it was a rookie committee, so you were going to take advantage of us.

Mr. Otterman: I think they had some services and rentals set out in the previous year, which are now grouped in with the \$91,000. If you made that comparative I think you would be comparing something like \$112,000 to the \$91,000. It would not be as great a difference, in other words, if you took—

Mr. Archer: Last year we had \$41,000.

Mr. Otterman: Yes. We had \$41,000 as “other” and we had “service charges and equipment rental” of \$57,000, which is grouped into the current year’s \$91,000. OK? That category was set out separately the year before. You are really comparing about \$98,000 to \$91,000 if you group it. There has just been a change in the grouping, in the mix.

Mr. Archer: If any of the members would like, we could give you an itemized list of the \$41,000 last year and the \$91,000 this year, which would highlight what the differences are.

Mr. Chairman: Do members wish to have that?

Mr. Ballinger: Let me just follow up from that.

Mr. Chairman: Miss Martel, are you finished?

Miss Martel: Yes.

Mr. Ballinger: I am sorry.

Mr. Chairman: OK, Mr. Ballinger.

Mr. Ballinger: A few moments ago you mentioned also the printing of the recruitment brochure. You said that this was a replacement for an older one.

Mr. Archer: Yes.

Mr. Ballinger: Roughly, how long has it been since you had a proper updated recruitment brochure?

Mr. Archer: Eight or nine years.

Mr. Offer: It is a nice colour.

Mr. Ballinger: Note he went to neutral grey this year. That is fine. What kind of dollars are you talking about to have the brochure printed?

Mr. Archer: I think Jim quoted the figure. Was it about \$15,000 for the design and the production of that?

Mr. Otterman: Yes.

Mr. Ballinger: Will this one stay for the next eight or nine years?

Mr. Archer: Oh, yes, at least until these people leave the office. These are actual employees in the office; they are not actors.

Mr. Chairman: Further questions and comments on page 3? If not, Mr. Archer.

Mr. Archer: OK, we will move along then to page 4. Now we are getting into the narrative of the office. I would just point out that the primary goal of our office is really to help the Legislature to hold the government and its administrators accountable. We do this by reporting to the Legislature.

Our annual report is the most widely known of our reporting mechanisms. In the annual report, we have the expression of opinion on the financial statements of the province. It is specifically requested in the Audit Act that we express an opinion on the financial statements of the province. It is not an area that has generated a lot of comment or interest by the standing committee on public accounts over the years, but it is a stipulated requirement.

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The other requirements in the act are that we are to disclose matters of significance noted in our audits; and we point out a number of areas, like accounts or essential records that are improperly maintained, inadequate rules and procedures or money spent without due regard for economy and efficiency. That is the so-called new value-for-money mandate, as is the item on the top of page 5, which is the lack of appropriate procedures to measure and report on the effectiveness of programs.

We also have a secondary goal. We regard it as very secondary to the primary goal of working for the Legislature, that is, to help deputy ministers and agencies hold their administrations accountable for the quality of work that is being done. Therefore, on every audit that we do, we issue a report on that audit to the deputy head or the agency head following the conclusion of the audit. Those individual reports get condensed and summarized and end up appearing in the annual report to the Legislature.

Turning to the audit and reporting responsibilities, they are more specifically outlined in appendix A, if you want to turn to that. It details the nature of our auditing and reporting responsi-

bilities but, in essence, we audit all the government ministries and all agencies of the crown. An "agency of the crown" is defined in the Audit Act. We also have some involvement with what are called crown-controlled corporations.

We audit the ministries on a cyclical basis and we try to cover all the major activities and programs in the government ministries over a four- to five-year period. We audit the agencies annually. We audit those as a result of the act that sets up the agency. It calls for an annual audit, so we do an annual audit. One product of that audit is always an expression of an opinion on the financial statements of that particular agency.

As I have indicated on page 6, there are about 70 agencies of the crown that we audit on an annual basis. They are all identified in appendix B. If you want to turn to appendix B, it will give you a feel for the types of agencies that we audit, for example, the Ontario Housing Corp., the Liquor Control Board of Ontario and the Ontario Lottery Corp. are some of the better-known agencies. There are some on this list that you may never have even heard of, but the act that sets them up requires that we do an annual audit.

Mr. Offer: With respect to your cyclical audit of ministries, is that your cyclical audit of major ministries?

Mr. Archer: All ministries. We hit the major programs and activities in each ministry over a four- to five-year period.

Mr. Offer: Are these cyclical audits done on a regular basis or on a spot-check basis? In other words, do the major departments of ministries know what year you are coming in or do they only have an idea that you might be in some time within the next two or three years?

Mr. Archer: We do not lay out our four- or five-year plan and send it out to them so that they can know what we are going to be looking at each year. They can deduce based on our past activities, I think very accurately, what we are going to be looking at and approximately when. But we are in the larger ministries every year: the Ministry of Health, for example, we will be in that ministry looking at something every year. Last year, for example, we looked at the mental health division. We also looked at the Ontario health insurance plan computer system.

This year, I think we are looking at the hospitals and the institutional side of health. A couple of years ago, we looked at public health. We are going to be in that ministry every year. They know that over four to five years we are going to be looking at all major programs. They could probably deduce what we are going to look

at in 1988-89 because of what we have looked at over the past four of five years, but we do not write and tell them ahead of time. That gives us the flexibility of moving around.

For example, if the Legislature suddenly got interested in some particular program of a given ministry, we might audit that program next year, or even right now, rather than wait two or three years down the road which, according to our schedule, is when it would come up again. So we have the flexibility of moving around within this four- or five-year period.

Mr. Offer: So you touch certainly the major ministries each year.

Mr. Archer: Yes.

Mr. Offer: Some ministry may only have a particular program investigated once every two or three or four years.

Mr. Archer: Yes.

Mr. Offer: You hit on all the agencies and crown-controlled corporations each year.

Mr. Archer: Right.

Mr. Offer: How many staff do you have?

Mr. Archer: There are 115.

Mr. Offer: We are dealing with so many different bodies in a one-year period that I would expect that much of the concern will be on some of the major ministries' major programs. What time is really left to investigate the agencies, other than the Liquor Control Board of Ontario, obviously, or crown-controlled corporations? I am just thinking on a time basis.

Mr. Archer: We do not audit the crown-controlled corporations. There is also a list of those in here. They are audited by public accounting firms. They have to send us copies of their audited financial statements and we can go out and look at the work they have done. We try to do both, to go out and look at the work that they have done over a four- to five-year period as well, but we do not have a direct audit responsibility for those. We do have to audit the agencies of the crown every year.

It is an onerous added load. We adjust to it, I guess, by recognizing that our main thrust should be in the government ministries. That is where most of the money is, for example. We adjust to the agency load by not doing the value-for-money component all the time. We might just go in and do a straight financial audit that any public accounting firm might do. As I mentioned earlier, we will often just hire staff from public accounting firms to go out and do that for us if we do not have the resources ourselves.

Some of the others, the larger ones, the Ontario Housing Corp., for example, or the LCBO, are higher-profile agencies. There is much more money involved in the operation of them; we try to do some value-for-money work there and we try to do the audits ourselves rather than contracting people from outside to do it for us.

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Mr. Chairman: Are there further questions, Mr. Offer? Mr. Archer, are there any—I am sorry, I did not see Miss Martel. Mr. Archer's head is in the way.

Miss Martel: I am looking at the crown-controlled corporations in appendix C. You have mentioned that you yourself or your office would go in once every four to five years or so to take a look at that.

Mr. Archer: Not into the agency itself. We might just go out and look at the auditors' working papers to see what they have done. If we did not like what they had done for one reason or another, we might then go out and visit the company itself.

Miss Martel: I am looking at Science North and I remember—I think it was in last year's audit or it might have been in 1985-86—there were some tremendous problems there. I am wondering if you would look at an operation like that more frequently because of that type of problem. I know there were some tremendous problems with that.

Mr. Archer: I am a little fuzzy on the history of that. We did an audit of that at one time. I think it must have been part of the ministry originally. I would have to refresh my memory but I know we did an audit of that facility. Then subsequently they appointed—the act, I guess, must have been amended. I have forgotten how this came about. They did appoint a public accounting firm to do the audit, so it now falls into this crown-controlled corporation category. Is that what it was?

Mr. Chairman: Mr. Otterman, have you any further comments on that?

Mr. Archer: Just to finish off, I think the point is that because of our previous experience, would we be more likely to go in on that one than one of the others? I think you are right; we probably would because it was—I do not know whether you used the words “a mess,” but there were a few audit observations on that at the time we were in. We would be anxious to see that improvement has taken place.

Mr. Offer: Just a quick question with respect to the actual report. It seems to me that the annual report really does focus on some problems which, in your opinion, seem to revolve around the value-for-money aspect. I am wondering if you have given thought to having the report also contain a list of everything you have done, which I think is not reported. You are focusing on the problems; and rightly so, I am not disputing that. What I am saying is that the report seems to give the impression that this is what you have done in the preceding year, when in fact you have done a great deal more than that.

I am wondering if two, three or four pages might not be attributed to what you have also done, possibly indicating in the report an opinion that there seem to be no problems, concerns or comments at this time focusing on the fact that you have looked at maybe another 50 or 60 or upwards of 100 organizations in some way, shape or form.

Mr. Archer: Maybe we could try to make that a little finer. In the annual report, we have exhibit 5 on pages 212 and 213. We list all of what we call government-wide and special reviews, and all the ministry audits that we do. We indicate which of those have generated some comments in the annual report. I guess what we do not do is make it quite as plain as we might—perhaps you will turn to pages 214 and 215—that we audit every one of those organizations. I guess we do not asterisk the relatively few that appear in the annual report. We might highlight that. Your point is well taken.

Mr. Carrothers: Mr. Archer, since we are talking about your audit activities and the type of audit you do, seeing whether money was spent with due regard to economy and efficiency, I am wondering what kinds of things you look at. That could be pretty subjective, obviously. Do you look at whether tenders were done properly or do you start second guessing, if I can use that term, decisions of management when they have made decisions?

Mr. Archer: A key element when you are looking at economy and efficiency of purchasing goods and services is the tendering element, whether they have adhered to the Manual of Administration or their own—some have internal guidelines that maybe go beyond the manual itself—in calling tenders; for example, for purchases over a certain amount and the precision process they use in selecting the bids they receive. It is not unusual that they do not accept the low bid, so we want to ask: “Why? What were

their reasons for not doing so?" That certainly is one aspect of the value-for-money audit.

Mr. Carrothers: Would that be a major activity when you try to make those determinations? Whether money was spent effectively can be quite subjective, as I said.

To go back to the staffing, we were talking about the fact that you have a lot of junior staff and very little mid-range. I am curious whether you felt there might be a problem with the experience level of your staff in looking at the type of issue where it goes past a mechanical thing such as whether a tendering procedure might have been properly followed and into pretty subjective questions. I am wondering whether you sense a difficulty in the experience of your staff.

Mr. Archer: I do not want to downplay the benefit of experience. The greener the staff the more we have to be cautious and the more senior staff attention has to be paid to the audit. We agree with the auditee on criteria before we do the audit. We sit down with him and say, "These are reasonable commonsense points that should be taken into account when you are determining the number of human resources, the staff that you need to do a given function, or the supplies and equipment you need." They will agree that they are reasonable criteria. We go out and audit against those criteria. We are looking at it from just a reasonable, commonsense standpoint.

In effect, we are asking the manager of a particular function what process he goes through to decide that he needs X number of staff, that he needs so many at this level and so many at that level. How does he decide that he needs whatever supplies and equipment he is using? How did he determine a need for those? We try to assess whether his process in arriving at those figures is reasonable in the circumstances. Sure we have differences of opinion, and many of those will get resolved in discussion. Where they do not get resolved, that results quite often in us reporting that fact and then the ministry coming back in response and saying it disagrees and here is the reason why.

Mr. Carrothers: Do you feel you are able to carry that out adequately with your present staffing?

Mr. Archer: We think we are. We have been at this for close to 10 years, this new dimension of auditing value for money, and we have some rough goals. Ministries did not like it when we first started; I guess they are not too happy about it even now. There was a lot of resistance to the fact that auditors were trying to come in and

assess how well they were managing. I think that has been quelled considerably by arriving at criteria before we start that are mutually agreed upon—"This is a reasonable basis on which to assess my operation"—and then trying to come to some conclusion on those criteria. We thrash everything all out in an exit interview before it ever gets to print. I think they feel they have a reasonable opportunity to get their points across if there is some disagreement.

We have a lot of senior people who are experienced now. As I say, we have been doing this for 10 years. We have training programs we give our staff when they first come in and throughout their career with us. The Canadian Comprehensive Auditing Foundation is for ever generating publications and putting on training courses and just generally conducting studies to help us in this area. I think that we are getting proficient at the new dimension and also that the auditees have come to accept it as more of a fact of life that is not really as bad as they thought it was going to be.

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Mr. Otterman: I would like to add to that. Increasingly, as the management systems and our procedures and techniques improve, the criteria are already in place. When you find observations in this report, it is whether they are following up on what they say they are doing, or they are not following the game by their own rules and procedures.

Mr. Chairman: Are there further questions? I think you will find it fascinating to watch the extent to which the General Accounting Office goes in the direction Mr. Archer has been heading but has not gone quite as far.

If there are no further questions from members, I have a question on appendix B. Mr. Archer, would there be any agencies listed there that have not been dissolved but are not spending any money? For example, one would assume that unless we have another war, the Soldiers' Aid Commission may at some point in time not have any money to spend. As someone who has been interested in sunset legislation to review certain agencies and see whether the agencies serve a purpose any longer or are simply there, using up taxpayers' money and holding meetings for very insignificant reasons, I am wondering whether you ever comment on that.

Mr. Otterman: There is one that comes to mind, the Ontario Industrial Training Institute. It is supposed to be a fund to fund apprentices who cannot be sponsored otherwise. We have observed over the last five to seven years that they

are sitting there with accumulated savings certificates of maybe \$50,000 and have not spent any money. We have recommended before that they just dissolve it and transfer it into a program of a ministry, and put the money in the savings office and leave it there on deposit. We have had responses back that no, it still serves a viable need and yet they have not funded anyone for the last five or six years. It is one that comes to mind. It is a very small operation, though.

The Soldiers' Aid Commission still issues money, primarily through referrals. I think primarily all the work is carried out by other veterans' associations. In effect, they are saying that they decide the person is in need based on the submission and pay for such things as eyeglasses and various forms of assistance. Eventually that will wind down as the veterans disappear.

Mr. Archer: Just on that point, we did recommend in our annual report—this must go back seven or eight years—that they dissolve the Soldiers' Aid Commission and that the function be taken over by a branch of the ministry. That got before the public accounts committee and it was surprising how the members were very supportive of the Soldiers' Aid Commission and thought it should continue. Maybe at that time there were a lot of war veterans.

Mr. Chairman: Or a lot of legions in our ridings.

Mr. Archer: On your original point, I guess we did not put it in appendix B—we did not want to overload you with too much information—but in our annual report we also list the agencies of the crown that we audit and we give more information. For example, we identify those that are inactive or that were inactive during the past year. There are about five or six of this list that were inactive; for example, the Ontario Mortgage Corp., the John Graves Simcoe Memorial Foundation and the Ontario Deposit Insurance Corp. There are about five or six in that category that are there by legislation but nothing is going on.

Mr. Chairman: Are these agencies indirectly costing the taxpayers money inasmuch as you at least have to go and review them every year to find out whether they have been reactivated?

Mr. Archer: Yes, we have to do that, but that is so inconsequential I would not say it is costing money to do that.

Mr. Chairman: Further comments, Mr. Archer?

Mr. Archer: I guess we can just plow ahead. We are down to page 7, I believe, to the office

organization, which is appendix E. It shows the office organization more graphically.

We have seven branches within the office, four of which deal directly with the audit of ministries and agencies. We have basically broken them down by what used to be the old policy field areas—justice, resources, social development and general government—although with the changing of the numbers of ministries and the names of ministries, that basic allocation has been fractured to some extent. I think it may be best to look at—we have taken the ministry agency load in the office and broken it into four pieces, each headed up by a director within the office.

We also have three other branches, one of which does special assignments. They do all of the government-wide reviews that we do; for example, the internal audit review this year. They also do all the reviews requested by the public accounts committee, which over the past two or three years have been quite numerous.

We have an electronic data processing and resources branch. The EDP branch handles all of our major EDP audit activity and provides support staff and educational resources to our four regular ongoing ministry and audit branches.

We have a reporting and standards branch, that basically does the audit on the public accounts of the province on which we have to express an opinion. It maintains our audit manual and maintains the audit standards in the office. We have an internal quality review function within the office and this branch conducts that review on the audit work of the other branches to make sure that we are adhering to the generally accepted auditing standards and other practices that we have adopted within the office.

That is just a quick outline of the seven branches in the office.

Mrs. Fawcett: How large would the special assignments branch be?

Mr. Archer: We have about six or seven people in that branch.

Mr. Chairman: Further questions? Moving right along, Mr. Archer.

Mr. Archer: Moving on to page 9, we have an external advisory committee which shows up on the chart in appendix E, right up at the top left-hand corner. Most of the legislative auditors have an external advisory committee, just to keep them in touch with the outside world, I guess, so that we do not get too insular. We like to bounce things off it every now and again.

We like to get an assessment of our annual report and any other publicly issued reports—for example, the ones that get tabled with the public accounts committee immediately become public documents—and periodic reviews of the audit approach we are taking. For example, this year we have had a lot of comment—I would not say it is criticism—that maybe we are starting to get into policy areas. We do not think we are, but if we can get some independent advice from this advisory committee, it will help to keep us on the straight and narrow.

Mr. Chairman: How does one join that policy advisory committee?

Mr. Archer: You have to be a former member. You have to lose an election.

Mr. Chairman: Does that mean I can only influence you 10 or 20 years from now?

Mr. Archer: That is right. At any rate, we have only had this now for two or three years. Most of the advisory committees that the other legislative auditors have are made up of senior members of the public accounting profession. We felt that really the advice we needed was not in that area since, as I mentioned earlier, the expression of an opinion on the financial statements has not been a main interest of the Legislature or the standing committee on public accounts over the years.

We felt that we would benefit far more from advice from people we deal with, and we therefore set up a committee made up of three former members of the Legislature, and in true nonpartisan fashion we made sure that we had a Progressive Conservative member, a Liberal member and a New Democratic Party member. So we have Pat Reid, who was here before you last week, he is on our committee. George Taylor is the PC member. He is a former minister and also a former member of the public accounts committee. Jack Stokes is a former Speaker, and while I do not believe he was ever a member of this committee I know he was always a supporter of the office, and we had a lot to do with him because of his heading up the Board of Internal Economy.

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Then from the government side we thought we should have somebody representing the people we audit, so we had Rendall Dick, who is a well-respected former member of the civil service and deputy in various capacities throughout his long career with the government.

So we did not lose touch completely with people who had no association with government,

we got Adam Zimmerman, who is, I guess, the chief executive officer of Noranda, certainly a very senior member of the business community. He kind of rounds out the advisory committee; and we think we have a really good group.

Mr. Offer: Just a quick question on the committee. How long is the term?

Mr. Archer: It is indefinite really. I guess we have not faced up to that situation. We would expect that they would get tired of it after a while and might ask to be relieved, but we might have to ask somebody to leave. I do not know. We have not got to that point yet.

Mr. Chairman: Maybe you are feeding them too well.

Mr. Archer: There is no money in it. They get one day's per diem, which is \$125, I think, whatever the Manual of Administration provides for such work, plus expenses if they have to come from out of town.

Mr. Offer: And the selection process was—

Mr. Archer: How these people were selected?

Mr. Offer: Yes.

Mr. Archer: Yes, I selected them or our office did, but there are quite a number of—primarily, they had to be former members of the Legislature, ideally with experience on the public accounts committee. There is quite a list. We could have asked other people as well, quite a number.

Mr. Chairman: Did they meet during the fiscal year that we are going to be voting for?

Mr. Archer: Yes.

Mr. Chairman: Did you find that they provided some—

Mr. Archer: Excellent, yes. We will probably be meeting—

Mr. Chairman: I will not ask you what advice they gave you, but it might be interesting to hear if there are any substantial changes that you have made. Are there specific changes that you made as a result of advice coming from this committee?

Mr. Archer: Certainly some of the changes we have made in the annual report—I do not know whether you have even detected them—in the format, the way we express things, originated from suggestions from the advisory committee.

We have also had a look at our Audit Act. Just in case a court ever brought that forth for analysis, we thought we had better have a look at it and see how we would like to see it. We had a number of changes in mind, and we bounced them off the advisory committee. We got some

excellent advice back and, in fact, changed our views on a number of points.

Mr. Chairman: Will you be recommending specific changes to the Audit Act now; and if so, when?

Mr. Archer: That is in abeyance for the time being. We do not feel uncomfortable at all with the existing act. If the act were to come up for revision, there are a number of changes, mostly housekeeping, that we would like to see in it, but there is nothing lacking in that act that we feel has to be pushed forward at this point.

Mr. Offer: I have just one question with respect to the advisory committee. You do not refer to them in your annual report?

Mr. Archer: Yes.

Mr. Offer: Then my question is, are they referred to in your annual report?

Mr. Archer: Very briefly.

Mr. Offer: I just wondered if there was reference at all to them, and if there is, I have no questions.

Mr. Archer: Yes. Very briefly, under the chapter on the Office of the Provincial Auditor.

Mr. Otterman: Chapter 7, near the last, I think. It might not be in the index, but it certainly should be in the report.

Mr. Chairman: I think we could find that for you later, Mr. Offer.

Mr. Offer: No. That is fine.

Mr. Chairman: Moving right along, staffing.

Mr. Archer: Staffing? OK. We have covered that pretty well. Our existing staff complement, the one that we strive to attain, is 114 people; and we are all around that figure at any point in the year. As of November 30, we actually were somewhat under at 108. The number varies.

In the junior staff, we have a number of students from Waterloo, from these co-op programs. Some of these people are here on a year's co-op basis. They come with us for a year and then go back to school. Others come for four-month periods, go back to school for four months and come back to us for four months. So our count will vary depending upon the time of year and what numbers we have from the universities.

We also refer to contracting staff, on page 10, as sort of an overload situation, where we need staff because of an unusually heavy turnover or workload for one reason or another. Or maybe we get a lot of requests from the public accounts committee and we have to put resources on that, and also deadlines for getting the financial

statements audited for volume 2 of the public accounts of the province.

If you look at that, many of the statements that are in that book are audited by our office, and that book has to go to press by a certain date—something like August 10, I believe—so that we have to get the audit finished by that time. Therefore, in order to accommodate a schedule like that, it would often be necessary for us to call people in from outside, contract out service, in other words. So we have estimated that the cost of that contracted service for the coming year will be about \$150,000. If you translate that into people, I guess we are in effect adding somewhere between four and five to our complement by virtue of the contracting-out facility.

Moving to the student program, again we may be going over much of the same ground we have already discussed, but we have a very high number of accounting students as of November 30, some 42. These are all, as we mentioned, graduates of either universities or community colleges. Once they are with our office, they are expected to pursue an accounting course.

The choice of a course is up to the student. He can pick from chartered accounting, certified management accounting or certified general accounting. Most of them—I would say roughly two thirds—will opt to pursue the CA course. The balance will take either the CMA or the CGA, and most of that balance goes for the CMA. I do not think at the present time we have even one CGA student, but here again it is up to the individual student to decide what course he wants to take.

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We keep these people. We hire them on a contract, and it is a year's contract. We renew that contract, as long as we are satisfied with the work they are doing and the progress they are making towards their accounting designation. We just keep doing it, renewing that contract each year until such time as they pass their final examinations. At that point, assuming we want to keep them and they want to stay with us, we bring them on to permanent staff and they are just treated like anybody in the civil service after that. They have grievance rights and what have you. So the contracting arrangement gives us the flexibility to let people go if we do not feel they are doing the job properly.

The contract, incidentally, has a one-week or two-week cancellation clause in it. Either person can cancel on one or two weeks' notice. That gives us the flexibility that, if somebody comes in and is not doing a proper job or is not really

serious about his studies, we can say, "Well, goodbye." That is something that the civil service generally does not have. After the first year, you sort of have to commit yourself to a person. We find our arrangement is a big benefit in screening our staff.

Mr. Chairman: Any questions on this? I think we have covered the Canadian Comprehensive Auditing Foundation earlier. Are there any questions on page 11 or 12 of the report? If any members have any general questions regarding the report, regarding the operations of the auditor, regarding comprehensive auditing or regarding any auditing function of any government anywhere in the world, it is now appropriate to get those questions off your chest. Of course, the auditor, in the half hour or so we have left, will answer all of those questions and solve all of your problems for you.

Mr. Ballinger: You are not going to find any fat at 3.9.

Mr. Archer: At 3.9? Is that the percentage increase you are talking about?

Mr. Chairman: I have a couple of questions. Patrick Reid used to always do this at the end, so I learned from him that you can ask any policy questions you want as long as the other members do not have any other questions.

One of the questions I had, Mr. Archer, is that there are a number of changes that you made from last year's report. The variances, for example, are not separately identified, and increases were explained only in general terms. You have given us explanations in response to our questions, but I am wondering if there was any reason this was changed from one report to the other. It seems to me that this report is more general in nature and less specific than last year's.

Mr. Archer: There is nothing sinister intended here, but—

Mr. Chairman: I am not suggesting there is. I am just asking whether there was some reason it was changed.

Mr. Archer: There is quite a change in the nature and extent of material that we were requested to submit to the Board of Internal Economy. We used to give them a lot more information than we gave them this year, and through the Office of the Assembly I guess they talked to the members of the board and found out that they were getting far more information than they really needed or could handle, so that 1987-88 was the first year then that we presented

a brief package to the Board of Internal Economy.

We did not want to go quite that far with the public accounts committee. We thought we would sort of go halfway, so we cut out some of the detail from last year's presentation, but we did not get nearly as brief as the material that went forth to the Board of Internal Economy. That generally is the reason. Anything that was in last year's briefing book that is not in this year's was just an attempt to condense it a little bit.

Mr. Chairman: The items I am thinking of—for example, staff turnover, was identified last year and was a major item but was not identified this year. Conference expenditures were spelled out last year, but not spelled out this year.

Mr. Archer: If the committee would like us to continue to include that type of information, by all means, we will do it. The turnover, for example was something like 24 terminations and 22 additions in the last 12-month period.

Mr. Chairman: It might be useful so we can have an ongoing monitor of your office. It is hard for so many new members, who may or may not have gone through last year's report, to answer your question. It might be worthwhile and you might speak to them later about their views on it.

Also, a couple of questions on the federal auditor's report. I am not suggesting with all federal auditor's estimates reports that his is better or worse than yours, but there are a couple of differences. One is that he describes new initiatives and gives progress reports on existing initiatives. I have copies of it here, of part 3, the expenditure plan.

I found that useful in reading and finding out exactly where he had been, what he had done and which direction he was planning on going. I was wondering whether you might consider taking a look at that—not that it is an ideal, but I found it interesting. I thought that members of the committee might find that kind of thing interesting. We could find out exactly what new initiatives you have planned; what you did in the past and where you succeeded or where perhaps you have been less successful in meeting some of these objectives.

I have referenced them all with these sticky tapes and you can take a look at what I am talking about afterwards.

The other was the performance indicators, such as the audit project hours of various branches. I found that interesting, because the federal auditor is actually showing some improvement in efficiency, at least if you take his

figures in his graphs. I am wondering—I do not want you to comment on the federal auditor—but is that a valid exercise? Does it give a true picture? Would it be useful for us to look at? Is it an exercise that you involve yourself in; or, do you feel that it is not useful?

Mr. Archer: I would have to look specifically at the type of information that you are talking about there. Generally, it is something that we do internally. We have statistics coming out of our ears on the costs and stop time involved in doing the various audits. We are continually—including this quality review program that I mentioned—looking at ways to reduce the audit time on audits and improve the efficiency factor that way. To translate that into some kind of a graph to show you from one year to the next the efficiencies that we have managed to work into our own operation, if that is the type of information that is useful, we could do that.

One thing we could also do, and we may have already done it in one of the briefing books in the past, is compare the costs of running our office with the costs of running the other legislative audit offices across the country.

Just to comment on this year's annual report—it is only one indicator, I do not want to oversell this, but I know members often wonder are they getting value for money from the office of the auditor; even if I did say so, you have good reason for not accepting it at 100 per cent. One indicator, I think, is the audit dollars spent as a percentage of the overall provincial budget, and we spend 20 cents audit costs for every \$1,000 of provincial budget expenditure in Ontario at our office. You look at all the other provinces and the Auditor General of Canada, and the figures range from 40 cents and up—double or more. I think that is an indicator; not the sole proof, because while we are all in the same game we do not all have exactly the same audit mandate. Some might have more agencies to audit than others and so on. It is a general indicator.

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Mr. Ballinger: Do you want us to applaud now, Doug?

Mr. Archer: Yes. I think you should take some consolation in that. Do not go to school with it.

Mr. Chairman: The audit cost per \$1,000, if I read the federal auditor correctly, is 6.4 cents, is it not?

Mr. Archer: Yes, I want to talk to Ken and find out how he does that.

Mr. Chairman: It is a very impressive graph and I just do not know how to interpret it, compared to interpreting what you are doing. I am politely asking you to comment on it without in any way—

Mr. Archer: He must take the expenditures of all the crown agencies that he audits and add them to the expenditures of the government itself and then divide through. That is another way of doing it.

Mr. Chairman: It makes his office look good.

Mr. Archer: If you took his expenditures versus just the government's expenditures, I think it would come out somewhere around 40 to 42 cents.

Mr. Chairman: Are there any other questions on the estimates? Mr. Pope, no philosophical statements or questions?

Mr. Pope: It is just creative accounting.

Mr. Archer: Creative accounting? We do not engage in any of that. We do not approve of it. Improving the profit picture generally applies in the private sector.

Mr. Chairman: I thought you were around when we had Algonquin College before us as an example of creative accounting.

Mr. Archer: It makes the profit picture better than it is by some creative accounting.

Miss Martel: I am wondering when we will discover what the actual expenditures were for 1986-87, or do you have some fair idea now how close you are to the estimates from last year?

Mr. Archer: We are running, as usual, \$200,000 to \$300,000 in arrears, because of being below complement and because of having more juniors and fewer seniors, but we did not go for supplementary estimates this year for the economic increase. That, I think, will just about balance out.

Mr. Otterman: We are actually forecasting about a \$200,000 shortfall at this point.

Mr. Chairman: There is so much contained in the first part of your report this year that I think we will have to schedule that for some other time. There are some really interesting comments. Indeed, we have a schedule that suggests that, since another committee is also dealing with that, we might look at it later.

We are about to spend, at least I assume that you are going to spend, some \$4,895,300. Does vote 3001 carry?

Vote 3001, agreed to.

Mr. Chairman: This completes consideration of the estimates of the Office of the Provincial Auditor.

The committee considered other business at 10:20 a.m.

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- Vice-Chairman:** Pouliot, Gilles (Lake Nipigon NDP)
- Ballinger, William G. (Durham-York L)
- Carrothers, Douglas A. (Oakville South L)
- Dietsch, Michael M. (St. Catharines-Brock L)
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- Pope, Alan W. (Cochrane South PC)
- Runciman, Robert W. (Leeds-Grenville PC)
- Smith, David W. (Lambton L)

Clerk: Arnott, Douglas

Staff:

- MacDonald, Wendy, Research Officer, Legislative Research Service
- Bedford, David, Research Officer, Legislative Research Service

Witnesses:

From the Office of the Provincial Auditor:

- Archer, Douglas F., Provincial Auditor
- Otterman, Jim F., Assistant Provincial Auditor



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Hansard

Official Report of Debates

Legislative Assembly of Ontario

Standing Committee on Public Accounts

Estimates, Office of the Provincial Auditor

First Session, 34th Parliament

Thursday, December 15, 1988



Speaker: Honourable Hugh A. Edighoffer
Clerk of the House: Claude L. DesRosiers

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Contents of the proceedings reported in this issue of Hansard appears at the back, together with a list of the members of the committee and other members and witnesses taking part.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, December 15, 1988

The committee met at 10:06 a.m. in room 151.

ESTIMATES, OFFICE OF THE PROVINCIAL AUDITOR

Mr. Chairman: I recognize a quorum. The procedure, as agreed upon by members of all three parties, will be that we will deal with the auditor's estimates and at 11:30 a.m. we will go in camera to receive the report of the subcommittee on agenda. The subcommittee will be recommending which items we should be looking at in the next few months and some other details that all of you will be interested in. Does that meet with your approval?

Mr. Cousens: May I suggest that the estimates might go more quickly and we could maybe put more time for the latter part of the meeting that you have just allocated, if, as a committee, when we are doing this we could accelerate it.

Mr. Chairman: There is no requirement, as you know, in any set of estimates, that we use all the time that is allocated to us. With the time at our disposal technically we would not finish the auditor's estimates today but we do have a number of important inquiries. So if the members wish to pass the auditor's estimates in less than the time that has been allocated, that will allow us more time to look at other matters on our very heavy agenda.

Mr. Cousens: I am trying to indicate that our caucus is prepared to accelerate the review of the auditor's estimates.

Mr. Chairman: Your co-operation is appreciated, Mr. Cousens.

We will start with the auditor. Mr. Archer, do you have any opening statements?

Mr. Archer: Very brief, Mr. Chairman. I would like to introduce the other staff members who are present. I think you all know Jim Otterman on my left, the Assistant Provincial Auditor. To my left and in the rear are Hildegard Halvachs, our director of personnel and administration and John Sciarra, who is a familiar face to everybody on the committee.

So at the risk of informing the already informed, I would like to briefly recap the estimates process. This was the subject of considerable comment in our last two annual

reports and by the public accounts committee in its special report to the House last June. If nothing else, the recap will highlight the timing deficiencies in the process. All estimates must be reviewed and approved internally before they are presented to the House. Estimates for the ministries of the government are reviewed and approved by Management Board of Cabinet and estimates for the legislative bodies such as ourselves—with the Ombudsman and the Chief Election Officer being other examples—are reviewed and approved by the Board of Internal Economy. Once approved internally, they are then presented to the House and are allocated to committees for consideration.

The estimates for the Office of the Provincial Auditor are allocated to the standing committee on public accounts. After consideration, the chairman of the public accounts committee will report the results of the committee's deliberation with a resolution that supply be granted, hopefully in the amount that we have requested. Subsequently, the House formalizes the authorization of this and other estimates with the passage of the Supply Act.

To illustrate, let's take our estimates for last year, 1987-88, for the period April 1, 1987 through March 31, 1988. These estimates were reviewed and approved by the Board of Internal Economy on February 16, 1987. They were considered and accepted by the standing committee on public accounts on December 17, 1987. They were reported to the House by the chairman of the public accounts committee with a resolution for supply on that same date, December 17, 1987.

The estimates were formally authorized by the Supply Act which was passed on May 26, 1988 with a retroactive provision back to March 31, 1988; so that was the Supply Act covering the year ended March 31, 1988, being passed almost two months after the year-end.

For this year's estimates, 1988-89 for the period April 1, 1988 through March 31, 1989, we are today at the second of the four stages in the process. The first stage, the review on approval by the Board of Internal Economy, took place on May 24, 1988.

With that general background, perhaps we could turn our attention to the 1988-89 estimates

briefing book for our office. I will attempt to summarize as we go through, but members are invited to ask questions at any time.

Mr. Ballinger: Oh, good.

Mr. Archer: There are exceptions. I was just going to get to that. However, in our past experiences, any criterion—This process will lead to more informal discussion and serve to address the matters the members are really interested in.

If we turn to the book on page 1, we are attempting to summarize the nature of our audit activity. Briefly, the work of our office is about evenly divided between what we term value-for-money work and the more traditional financial and compliance auditing. Yet the content of our report is largely—and that would be roughly in the area of 80 per cent to 90 per cent—derived from our value-for-money audit activity.

In other words, the financial and compliance activity, most of which is conducted in crown agencies towards a prime objective of the auditor's to express an opinion on financial statements, generates very little content for our annual report.

We would like to decrease the extent of our resources that are devoted to that type of financial audit of crown agencies and perhaps we could talk a little more about that a little later in the morning.

If we turn to pages 2 through 4, outlining the major components of our 1987-88 budget, we explain the net increase being requested for 1988-89 in the amount of \$318,400 or roughly 4.75 per cent. We identify the major reasons for the request for additional funds, the first one being the salary economic revision, which was effective January 1, 1987. That accounts for about \$190,000, or more than half of the increase. French-language services is something that we—

Mr. Chairman: Mr. Archer, do you want to have questions as you go along or do you want to give an overview and then have questions?

Mr. Archer: I think it would be more profitable to the members if they just asked questions as we went along.

Mr. Chairman: The first page alone gives us enough discussion for perhaps a whole morning. Mr. Pouliot, a question on any topic so far?

Mr. Pouliot: I will pass. I just wanted to be on the record later on, dealing with pay for performance, which is on your page 3. So I am quite comfortable to follow Mr. Archer's presentation.

Mr. Chairman: That was certainly an area that I was interested in based on the General Accounting Office experience, which seemed to indicate that it was not the route to go.

Does someone else have a question?

Mr. Smith: He just had his hand up and I was trying to get your attention, Mr. Chairman.

Mr. Ballinger: Gee, aren't you nice, Mr. Smith, and very thoughtful.

Mr. Chairman: People on the standing committee on public accounts always act as though it is Christmas; none the less, we appreciate it.

Interjections.

Mr. Chairman: I wonder, in the interests of efficiency, if we can carry on?

Mr. Archer: I was just starting to identify the major categories for the request for additional funds this year. The second one is the French language services, which our office is endeavouring to get into in this current fiscal year as a warmup for the French Language Services Act, which will come into effect for everybody next November. We need roughly \$107,000 just to accommodate that particular aspect of our operation.

The pay for performance, which the chairman has mentioned, is in for an additional \$44,000. Our rent is an additional \$30,000.

Then we have a couple of negative factors. We are not expecting as many people to take the option of employee benefits for early retirement this year. So that is a decrease from what we had in last year's budget. Similarly, for microcomputer equipment, we are pretty well up to what we think is necessary in the area of hardware and software. So we are putting in much less money there. The balance is in the all-other situation, which includes merit increases for some of the staff, cash payouts for the management compensation benefit and generally just inflation increases for the various other expenses of the office.

Mr. Adams: The notes which we have suggest that your nonsalary expenses over the past two or three years have increased very greatly. I see that they are levelling out now. What is the reason for that, apart from the change in reporting of rent?

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Mr. Archer: The rent certainly is a major factor. For the past two or three years we have had to pay our own rent. For years, the Ministry of Government Services, as they still do currently for ministries, had absorbed our rent. Then

they started to charge the legislative bodies such as ourselves. Coincident with that, we moved our premises into much better quarters, which resulted in a considerable increase in rent. So that certainly is the major factor.

Another factor is the upgrading of our office from the standpoint of electronic data processing resources. We did an extensive upgrade there that I guess totalled something in the area of \$300,000 or \$400,000 for the total purchase of equipment over a three- or four-year period.

Now we feel we are pretty well up to snuff in that area, and the rent of course has levelled off now, so I would expect for some years to come to see just the normal inflationary-type increases in that area.

Mr. Cousens: It might be the chance to ask about contract employees, contract work. How many people do you have and how much have you done? I would not mind even having a special statement on that, just to know, for instance, are you putting work out to some of the chartered accountancy firms? Are you sharing that equally with all of them, so that they are all able to participate in the largess of the Ontario government auditor's office, and the degree to which you are being fair-minded in your own opportunities for other professionals who want to get in on the trough of the Ontario government?

Mr. Pouliot: I take objection to the words "largess" and "trough" this morning. Maybe in an afternoon session it would be perhaps proper and in keeping with Mr. Cousens's style, but I have some difficulty, given the time of the year, with this kind of invitation to confrontation.

Mr. Cousens: In due respect to my honourable friend, "generosity" instead of "largess" and "pit" instead of "trough."

Mr. Chairman: Since the Provincial Auditor did not seem to take offence at the question, I will let the question stand.

Mr. Archer: I appreciate Mr. Pouliot coming to our defence in any event.

Mr. Cousens: He wants something in return. Do not get lulled into a false—

Mr. Archer: I have been around long enough for that.

Mr. Chairman: I wonder if you can just address yourself to the question.

Mr. Archer: If you turn to page 12 of our briefing book, we have a brief paragraph on the contracting of staff. It is not, and has not been in the past, a major component of our budget. This year we are estimating that \$90,000 will be spent in that area.

We use the services of outside accounting firms primarily to help us out when we are under complement. If you notice our complement figures, we are chronically under complement, primarily, right now at any rate, because of the economy being so good and accountants and auditors being in great demand. The use of public accounting firms is called upon primarily in order for us to meet the obligation to audit crown agencies annually. We have 65 or 70 of those that we have to audit annually, so we make use of them wherever necessary in order to help us complete that responsibility.

As I mentioned, and it may be a little early to get into it now, but probably next year, assuming the committee is in agreement with this, we may extend the use of contract services. As I mentioned in my opening remarks, we would like to decrease the amount of time we spend auditing crown agencies and the best way of doing that under our existing legislation is for us to contract that component of our audit universe out to public accounting firms. We would like to get more active in that regard. Instead of using them solely as an emergency resource, as we do now, we would like to be more proactive in that area and right from the start plan on certain audits being done by outside accounting firms.

Mr. Cousens: Is that something you can come back to the committee on before you do it?

Mr. Archer: If we do not have a chance to discuss it today, I would like to have a session with the committee on that.

Mr. Chairman: I think it could be put on the agenda. It is a very important issue and I think the committee might want to spend more time on it than just a few minutes.

Mr. Cousens: That is good. It is certainly important to me and the auditor is answering the question in the way I hoped he would.

Mr. Chairman: Perhaps you would remind me, Mr. Cousens, to put it on the agenda. I have noted it and I think we can perhaps arrange for a morning or half a morning on that one topic. Are there further questions?

Mr. Archer: I will just move on through the book if there are no further questions.

Mr. Adams: On the point about staff and then the item about early exit.

Mr. Archer: Yes.

Mr. Adams: Are people taking up the early exit provision? Is that contributing to your staff problems?

Mr. Archer: Not to any large degree. I think we put in for five people last year and three took

the early option, so it is not a major element. The big problem is people getting jobs elsewhere.

Mr. Chairman: Mr. Pouliot has a question as well.

Mr. Pouliot: One is on page 3, item (b), which is French-language services, and I note \$107,000. I am quoting, "The base has been increased for funds required to translate and produce the annual report." Mr. Archer, is this the only service you provide in French, the translation of the annual report?

Mr. Archer: It certainly is the major product of the office. We have other documents like a recruiting brochure, for example, and other information items that the office produces. They will also, of course, have to be produced in both languages. But those are relatively minor compared to the annual report. The cost of translating and printing it, in French, we estimate will be somewhere in the area of \$75,000.

Mr. Pouliot: Since we are mostly dealing with translation from English to French, I would be interested in knowing the rationale behind hiring additional support staff in lieu of contracting out.

Mr. Otterman: The support staff is a bilingual reception service. That is the other service that is provided, so it is not related to the report.

Mr. Pouliot: Thank you. My last question is, on the matter of pay for performance. Would I be right in assuming that everyone who works for the Provincial Auditor would be getting a merit increase like other people in the civil service, say of three and a half or four per cent?

Mr. Archer: They would be considered for a merit increase; yes.

Mr. Pouliot: Would I therefore be right in thinking, that in addition to that supplementary, some executives would be getting pay for performance? How does that work, Mr. Archer?

Mr. Archer: Pay for performance is a fancier term for merit. In our office, we have always had a merit system and the people move through their salary range in increments based on their performance or how well they have done.

Mr. Adams: Value for money?

Mr. Archer: Value for money. Pay for performance, to my mind at any rate, is really just a more formalized version of the merit system whereby you formally document the objectives of the job at the beginning of the year and then measure the performance during the year against those objectives. The merit system is a little more informal. You do not go through the

documentation routine. You just look at the person's performance at the end of the year and say, "Well, how well did he do or she do?" and proceed accordingly. Pay for performance puts a little more rigour into the system.

The reason why—maybe this is what you are leading to—we are putting additional money in is that when they introduced the pay-for-performance system, they increased the salary ranges on the executive positions; the upper limit was raised so that a number of our people who had reached the maximum under the merit system, and were not getting merit increases even if they warranted it because of their performance, will now get increases because the maximum has been increased. That is why we need—

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Mr. Pouliot: I want to present the following scenario. A person is category C, let's say, and the salary range for category C is between \$50,000 and \$60,000. Civil servants across the province get four per cent. That person would get four per cent. If it says that from \$50,000 to \$60,000, after one year or whatever criterion, you would go to \$52,000, \$54,000, \$56,000, \$58,000, that person would get two rate increases.

That person would not be eligible for a performance increase, would he, even if he had reached the top of his category, in which case he would get the compensation for the title? If it is \$50,000 to \$60,000, once they have reached a maximum in that category, they would get \$60,000 and they would also get whatever percentage increase people across the province would be getting. Would they be eligible for a performance increase?

Mr. Archer: Pay for performance applies only to the executive positions in government. Those in management and below are on the old system, which in many cases is a merit system, I guess. The pay-for-performance amount includes both economic and merit. You do not get two increases, which you seem to be implying. A person in the executive ranks these days gets one increase a year, and that is to cover both economic and merit.

Mr. Pouliot: In 1987, the Civil Service Commission instituted a pay-for-performance system for executives.

Mr. Archer: Right.

Mr. Pouliot: So possibly you get above the percentage increase. Otherwise, why is this provision effective April 1, 1988, on the books?

Mr. Archer: Maybe if we get to an example it might help you. If you turn to appendix D in our booklet here, you see where we have the salary ranges of the various people in our office. The pay for performance applies to executive positions, which in our office would be from director level up; in other words, the first four categories.

When they brought that system in, the salary ranges were expanded, so just to reiterate what I said earlier, some of our directors, for example, would have been at the previous maximum, which might have been \$65,000 or something like that.

Mr. Otterman: Yes.

Mr. Archer: At that level; so they would not get any merit increase. Now, however, with the range widened, they would be eligible to get an increase, but that increase would incorporate both economic and merit features. It would not be two increases.

Mr. Pouliot: You will understand, Mr. Archer, with respect, of course, that from where I am sitting, not only do we measure things on a different scale, but also the system to which we are accustomed is somewhat different, such as the word "retroactive" to cover presenting salary comparisons and ranges and so forth. I think I am clear on the methodology.

Mr. Archer: Maybe just to clarify that, people below the director level in our office are on the old system, which is a combined one. You get an economic increase once a year, of maybe four per cent, and in addition to that, provided you are not at the maximum, you would be eligible for a merit increase as well.

Mr. Chairman: The fifth-lowest category out of a range of 12 categories gets paid the equivalent of a member of the Ontario Legislature. You may have noticed that.

Mr. Adams: Who audits the audit?

Mr. Chairman: I had a question on the merit pay, Mr. Archer. As you know, your equivalent in the United States has done a study of the merit pay system in the US federal government and concluded that it was inefficient, that it was open to patronage, that people who did not deserve to get merit pay received it, that it stifled creativity, that it increased hostility within departments, even to the point of some people hiding documents and playing tricks on their fellow workers, and that generally the whole merit pay system was a very regressive system that did not make any sense from a taxpayer's point of view or from a management point of view.

Now we have a system in which this government is introducing the very system that the Americans, through their experience and through the equivalent office of yours, have shown to be unworkable, regressive, and indeed rather destructive. I guess my question to you is, why would you be implementing something that your counterpart in the United States has researched and shown to be so abominably "untolerable" to his office.

Mr. Archer: I do not know that I agree with all the adjectives you used with regard to the system.

Mr. Chairman: I think they were adjectives they used.

Mr. Archer: Or that they used.

Mr. Adams: He did not use "untolerable," because there is no such word. I hope Hansard picked it up and put it in quotes.

Mr. Archer: Let me try to address that. I will not be able to answer it, but I will comment on that question.

Mr. Chairman: "Unacceptable" was the word.

Mr. Adams: "Untolerable."

Mr. Archer: In our office, at least in the 16 or 17 years I have been with the office, we have always had a merit system. I regard pay for performance as really a more formalized version of the merit system of salary change. To my mind, the merit system, in theory, is an excellent system. In practice I am ambivalent about the whole thing, because I do agree that trying to administer it is no bed of roses. It does create an awful lot of unrest and backbiting, and always some regressing, whatever—some of the words the chairman used. But to my mind, it is still better than the alternative.

I have worked in places that have the other system where everybody got the same increase every year, regardless of how well they performed. That too causes a lot of problems. People complain that so-and-so next to them did not do half the work, yet he got the same amount of money.

Of the two, I do not think either one of them is the perfect answer, but I feel on balance that the merit system is better. It does require a lot of rigour on the part of the people administering it, and I do agree there is a tendency to take the easy way out under the merit system and try to avoid the bad morale that might result from giving people different rates of increase.

Mr. Chairman: I do not want to pursue a long debate, but will you be looking at the merit pay

system in the different ministries, taking into account the pitfalls that have been pointed out by your counterpart in the United States in his research, to at least make sure that if the government is using this system, it does not fall into all the problems the American federal system has fallen into, which the General Accounting Office was so critical of and said was such a waste of the taxpayers' money.

Mr. Archer: I think the pay-for-performance pay system is a candidate for audit. We feel we should give it two to three years to get established and see how it works. We certainly intend to look at it from the standpoint of, what were the objectives and how well have the results matched up with the objectives? In the course of doing so, I think we would address some of the points of the GAO that you have mentioned this morning.

Mr. Adams: If we are putting these things on the record, I would like to point out that when we looked at the situation as far as auditing is concerned in the United States, in a great many respects we were better than they. I suggest to you that in this case the Americans may again have made a mistake. I think Mr. Archer's remarks were exactly right. It is not easy to administer any merit system, but it is certainly better than trying to manage a system as large as ours by some sort of rules and formulae.

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It does not seem to me that management is a mechanical process. It is a difficult process and decisions have to be made. The principle of reward for merit is one we certainly should pursue. As to this one, I agree with the suggestion that as with everything else we do, we should revisit decisions and schemes when they are in place, and by all means at an appropriate time examine the merit system that exists here.

I really do think that as a government we should struggle with methods of rewarding merit and methods of rewarding the real contributions civil servants make to the province.

Mr. Pouliot: I know my good friend and colleague Peter Adams did not wish to impute a motive, and I did not think of it that way. I just wanted clarification in terms of methodology as to how the system works; I have no disagreement with the system.

Mr. Adams: It is not a debate that I am engaging in.

Mr. Chairman: I do not want to debate it either. I would not want to point out that there are ways of rewarding people other than through money. Maybe we can carry on then.

Mr. Adams: It is great to be the chairman.

Mr. Chairman: It is like being an interviewer, like being a Morty Shulman and having the last word.

Anyway, I think it is an area we will want to look at. Perhaps we can talk about it both formally and informally, because it is something that is of concern.

Mr. Archer: Moving along to page 5 of our briefing book, you can see that is a more traditional presentation of estimates information. It is by the standard account classification the government uses. It shows the actual 1987-88 performance against the estimated 1987-88; then, alongside that, we have the estimated 1988-89, which is the purpose of our visit and discussion here today. At the bottom, we add in the staff complement situation. You can see there is virtually no change from 1987-88 to the current year. We are just adding that one person, who is the bilingual receptionist referred to earlier.

Ms. Collins: May I ask a general question on that? The actuals last year came in almost \$300,000 less than the estimate.

Mr. Archer: Yes.

Ms. Collins: I understand that we have to go from estimate to estimate. You are saying that you need a 4.75 per cent increase, but that is compared to last year's estimate and not the actual. Is that correct?

Mr. Archer: Yes.

Ms. Collins: Every year, the actual amounts are much less than the estimates. At what point do you adjust that so that your actuals are coming in closer to the estimate? The true picture is not a 4.75 per cent increase.

Mr. Archer: That is right. The way the estimates process works is that you budget on the basis of a full complement. I guess for many ministries that is a fairer way to estimate. With our particular operation, we are seldom at full complement. If we could get our staff up to 115 and keep it there, then we would need all the money we are asking for, and that is how we are budgeting, on the basis of a full staff. But as I mentioned, particularly at the present time with the economy being so vibrant, we have an awful time even getting there for a short period of time, let alone staying there.

It would be more realistic if we were to budget on the basis of what we expected our average staff is actually going to be, rather than on a full complement basis, but that is not the way they budget within the Ontario government system. If we did that and if there was a turn in the economy

or we managed to be more successful in our recruitment than we forecast, we would be overbudget and would have to go the Board of Internal Economy and through the committee again for supplementary estimates. I do not know if that answers your question, but it is an explanation for the situation anyway.

Ms. Collins: The problem I have—I know it is not just you; it is other ministers as well—is that they are taxing the taxpayer on the basis of this budget, and they are budgeting more than they actually need. That is the problem I have with it. I would prefer that you asked for the money that you actually do need and that you budgeted according to your actual budget.

Mr. Archer: I think in theory you are right, but in practice the government operates at a deficit anyway. The fact that we do not spend all the money we are budgeting for really makes for a lower deficit than if the government actually collected all this money and put it in a fund or something like that. When you are budgeting on a deficit basis, I do not know that your analogy holds water.

Ms. Collins: Theoretically. Okay, thank you.

Mr. Archer: The next five pages, 6 through 10, are standard material that appears in most of our estimate books, and a lot of it appears in our annual report, explaining the goals and responsibilities of the office. I think most of you are quite familiar with those anyway.

Mr. Adams: I think this is relevant to the goals of the office. It seems to me, Mr. Archer, that the presentation of your estimates—I do not mean in the layout, but in the way you do it—actually reflects your office in that your office has a particularly strong sense of what the legislation that we pass implies for an organization. That is because your people go into the ministries and other government agencies and they examine those agencies for their mission in the light of the government's legislation.

Mr. Archer: Right.

Mr. Adams: The sense I had of that was within the discussion of French-language services. In some ministries it takes them quite a long time to discover what some legislation pertaining to French-language services means, and they gradually work at it and get an idea. It seems to me your office has some ideas about that and therefore quite explicitly discusses it in the estimates and says what you are trying to do. It may not be perfect, but you do that.

I have some notes here on women in auditing. The government is interested in moving women

and some other groups into all parts of the system. Although I am aware of the fact that women auditors are relatively new—it is a field into which women are just moving—my notes suggest that all 12 of the senior management staff are male; of 17 managers, 15 are male and so on. There are some other figures there.

Despite the point I made about women in auditing as a profession, that it is relatively early years for women in that particular profession, my notes indicate that in fact there is a very fair number of women in the internal audit system. I wonder if you could just comment on that in the light of your staffing problems, in the light of the work you have to do and in the light of the general mandate of the government with respect to the employment of women.

Mr. Archer: This was a reference to internal audit. I must say I am not familiar with the percentage of women in the total internal audit community. The total internal audit community would be at least three times the size of our office; we are talking 350 or 400 people. How many females are in that group, I am not sure. I do not think you will find a very high percentage of females at the upper levels, such as the directors of internal audit themselves, who for the most part—as in our office—are still males.

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Mr. Adams: It is a larger proportion than in your office; that is the suggestion?

Mr. Archer: I would have to analyse that. I could not dispute that. I do not have the statistics. But as I mentioned in another hearing, I guess, to my mind it is a matter of evolution that in the last 10 or 15 years, more and more females have entered the accounting stream. There is no doubt about that. I would imagine today—the chartered accountancy results, for example, came out last Friday; I did not go through and count, but I would think the females would probably be close to 50 per cent of the graduating class. More and more of them are coming in and through time they are going to rise to the upper positions.

You mentioned that we have 12 or 13 senior positions in our office, director and up, and we only have one female manager at the moment. However, we have six females at the supervisor level, and if you get down into the lower levels—the trainees—there are many more women. We have 24 women in our office altogether, and we have a staff of about 105 at the moment; so it is close to 25 per cent.

We have perhaps more difficulty holding women than we do the men, because in the

Ontario government, being a woman today is good. We lose staff from our office to other government positions. In the last year or two we have lost two women supervisors to positions in the Management Board secretariat, just as an illustration. We have lost many to other segments of the government, particularly internal audit.

We are on a treadmill generally as regards staff in total, but particularly with the women because the job opportunities are even better for women than they are for men because of the climate that exists today.

Mr. Adams: I am interested because Mr. Archer sounds like one of his clients that we often have here before us on the committee. I understood most of the points that you made. There are two things I am interested in; one is the so-called natural evolution—whatever that is—but, of course, it is only natural against the obstacles that have built up over the generations against women in various areas. The sort of thing I am interested in is the extent to which, against all those difficulties, which are understandable and so on, your office is moving positively to alter the male-female ratio.

Mr. Archer: We are definitely trying to do that. We certainly have no bias against hiring females in the office. We even tried to accommodate some females who want to maintain a family life—to have children as well—whereby they work three days a week and stay at home the other two days.

Mr. Adams: That is fine.

Mr. Archer: We are trying to retain females. Certainly they can do the job. There is no doubt about it. We are quite anxious to have anybody who can do the job, male or female, on our staff.

Mr. Adams: Thank you.

Mr. Villeneuve: As a relatively new member of this committee I find it interesting that you outline your office goals here and that you have made previous comments with respect to understaffing. Of course, you being the watchdog on provincial spending, when you are chronically understaffed, as you have been, what areas of your particular official duty as watchdog over provincial spending gets chopped off or gets relegated to the short staff or remains undone?

Mr. Archer: Generally the way we approach that is to reduce the work actually done versus what we would like to do, which is what we are faced with when do not have the staff that we would like. For example, for many agencies in the crown agency area, in addition to straight auditing of financial and compliance—in other

words, doing the financial statement audit, if you like—we would also like to do some value-for-money auditing in those agencies each year.

When we do not have the staff to do that, we chop the value-for-money component in an agency. If that function or that operation is not sufficient to make up the time we were losing, we would then lengthen the cycle with which we do ministry audits. We attempt to do every major program or activity within the government over a four- to five-year period. If we are chronically understaffed then that cycle maybe goes to six years.

It is not as though something is lost indefinitely; it may be deferred temporarily and we attempt to pick it up when we can get our staff a little closer to our complement.

Five or six years ago, in 1982-83, when we had that depression for a couple of years, we were fine. Staff was easy to get and when we got them, they stayed; we did not have much difficulty then. But it is during the last four or five years, particularly the last couple, that staffing has become a real problem.

Mr. Villeneuve: As I hear it then, value for money is where the lapse occurs. That is a very important aspect of auditing, of course, and as one who happens to be in business, I would consider that to be an area very important to me in my other incarnation. I would like to see you proceed and go through with the absolute total package, which would be an analysis of value for the dollars spent—I realize the government is basically a service—to see which areas of service are reaping better benefits as against others that may appear to be high-profile but may not be getting very good value for money spent.

Mr. Chairman: That leads in nicely to some of the concerns Mr. Cousens expressed earlier concerning the first point which the auditor made; that is, if I hear him correctly, that the bigger bang for the buck comes from value-for-money auditing, but a large amount of his time is being spent doing work that I suppose is less interesting from his point of view and perhaps could be contracted out.

In light of the interest of the committee in this topic, Mr. Archer, I wonder if it would be possible for you to prepare something for us so that at some time, maybe during the March recess or whenever, we could spend a morning analysing the cost of contracting out the more traditional auditing functions and what the savings, if any, might be in terms of your office concentrating more on value-for-money auditing.

If we could have some kind of study done in preparation for that discussion, I think it would be a useful kind of thing. Then the committee may wish to take a position on it or they may wish to simply leave the matter to your discretion to proceed as you see fit.

In any case, it would be a useful exercise, and I wonder if you can think of preparing something like that, either for the end of February or maybe for July, when we could take a look at it, or indeed maybe we could even deal with that one morning when the House is sitting.

I see that you are nodding yes.

Mr. Archer: We will be pleased to do that.

Mr. Chairman: I do not want to put any time restrictions on you. I assume you can get that information; when it is available, we can reschedule as the committee sees fit.

Mr. Cousens: Supplementary to that point: There could be a value to looking at forensic auditing as well. I think you get into some of the normal accounting processes, but I am seeing very serious problems in the most recent annual report where there are breaches of the law, great ethical problems that go beyond mistakes. I think there might well be a need to bring in some highly trained investigative types of researchers to look into some of the things that are going on.

When you are doing this, if you could have a look at that as well because to me the skills that are required in that are less common.

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Mr. Archer: Yes.

Mr. Cousens: There could be a cost attached to it but we owe that to the people of Ontario, to make sure that we are making those kinds of thorough investigations.

Mr. Chairman: If my memory serves me correctly, in the past when the committee has asked for a forensic audit, you have always had to contract that out. Is that not—

Mr. Archer: Yes. The most recent instance of that was the IDEA audit. We hired some forensic expertise from outside. However, we are attempting through training to upgrade our in-house skills in the area of fraud detection or fraud recognition awareness of the general situation. I think we will become a little more proficient ourselves but I do agree that we should address that more directly than we have.

Mr. Adams: Going to this value for money aspect again, I know we have discussed it with Mr. Archer and his staff formally and informally

before, and Mr. Cousens remarks about particular types of investigators.

As I understand it, or at least as I understood it I suppose, in this value-for-money thing, you move way beyond going into an organization and looking at the books. It is not to say that the bookkeeping or accounting side is unimportant, but there are a lot of other creative things involved. You go in and you try to get a feel for the institution, the sorts of people who work there. You look at what their official objectives are but then you try to assess perhaps what their real objectives are, things like that, very creative, subtle, imaginative process.

It gets back to this personnel thing which is very worrying—your description of how difficult it is to obtain staff and so on—but to what extent in your recruiting are you moving away from the—I hate to say stereotypical accountant, given all your qualifications—but you understand what I mean. I realize all these people have to have accounting qualifications at some point but do you really move away and find people in medicine, if it is a medical thing you are going to; in forestry, if it is a forest thing you are looking at, or whatever? Are you trying to address that in your recruiting?

Mr. Archer: We have not attempted to get in-house experts in various fields on our permanent staff. What we try to do is, if we are going into hospitals for example or natural resources, some specialized area, to maybe hire somebody just for that assignment, maybe a retired employee of that ministry, an ex-nurse or something of that nature. We have done that and used them on that particular assignment but we have not attempted to bring those people on to our permanent staff.

That is not to say that we will not in the future. Our view at the present time is that since 50 per cent of our work is still in this financial audit area, that if we had too many people of the type you are describing that we would not be able to use them across the full spectrum of what we do. They could not work on financial statement auditing because they do not have an accounting or auditing background.

What we feel we have to have is accounting training. There is nothing to prevent us from hiring a graduate in economics or philosophy or whatever. If we could train him to be an auditor, then he can do value for money auditing. But we would not be able to use that person if we went in to do the Ontario Housing Corp. financial audit. It is the lack of flexibility with that type of person that disturbs many people in our office. They do

not like the idea of only being able to use a person on a certain type of audit.

If we could shed some of that crown agency audit responsibility, the financial portion of it, then I think members of our staff would be much more disposed to taking people without an accounting background. Certainly, that is the direction we are pointed in. It is to be hoped that with the help of the committee, through this later discussion paper that Ed mentioned we can get the committee to support that.

Perhaps it will require some changes in our legislation in order to do it to the extent we would like, but if we can get that approval, then we are pointed in that direction, and we would start to move in that direction. Then I think we would be much more open to hiring people without accounting backgrounds and maybe not even requiring, other than some audit training, that they take any accounting courses at all.

Mr. Adams: Perhaps I overstated the case.

I think it is a very interesting answer. What about the accounting profession in general, then? To do a comparison with the law, there has been a bit of a drive—I do not think as much as there should have been—to recruit into the law schools, in recent years, people from more varied backgrounds.

It used to be that every lawyer had history and English or something and then went into the law. Now a well known trend is to take students from environmental fields. Take them, that is one, because before there was some resistance to it, and also, I guess, interest in students in environmental fields to go into the law.

As a result, you have trained lawyers who have this environmental background, or they might have a background in health science or something. In that sense I can well see that for a very particular audit you could bring in the expertise. You have a trainee program, I think. Do you address that sort of thing in your recruiting and training?

Mr. Archer: Certainly we attempt to get as broad a background as we can in the people we hire. We go on campus. For example, at one time we used strictly to go after people in business administration or commerce and finance, or something of that nature. Now we are quite willing and anxious to hire people with backgrounds in other areas, but we are not getting an awful lot of people who are willing to come to our office from those disciplines because of the fact that we still require that they take an accounting course once they get here.

Frankly, the difficulty is succeeding in some of those courses, particularly the chartered accountancy course, which graduated less than 50 per cent, I guess, on the last exam results, turns these students off, so that not too many are willing to come to our office and enroll in an accounting course when their expectations of success are less than 50 per cent.

However, if we could move away from the need in our office to have accounting training then we would not be requiring people to take an accounting course. We would just require them to take some instructional courses in how to audit. It would not necessarily lead to a degree of any kind.

I think that is the impediment. We are trying to get people with wider backgrounds because for the value-for-money auditing it is a better background. We are not getting people in.

Mr. Chairman: How does Ken Dye deal with this problem? I understand he has more and more people who are not accountants by trade who are trained in the skills of auditing.

Mr. Otterman: I think the major difference is—I do not know the exact numbers—but he does have people with the specialist skills, and the answer there is that he can use them year round on his departmental value-for-money audits because of the size. They take up to two years to finish.

Mr. Adams: I am interested to see that you are thinking about it. It may well be a problem of the profession. You see, I have nothing against the rigour of the exams or the course or whatever it is you are describing.

Using the law again as an example, I think for many generations—it goes back a bit to the female thing—a very large proportion of the student body of universities never thought of going into law because they were in departments where their professors never thought about it and so on, whereas, to use the same two again, in English and history it was a well known thing to do. They would say, "What are you going to do?" If the student was in English they would say: "Perhaps you should not become a writer or a novelist. Go into law."

I would suggest that this is a very important development in auditing for us and, I would think, for the country. The higher profile we can give to the special nature of this audit process, which until I was on this committee last year I had no sense of, the better for your office and for auditing in general.

Mr. Archer: Right. I agree.

Mr. Cousens: I have another question coming in from another angle on the whole work of the auditor. I have been spending some time reading through the Audit Act and also we are all spending a considerable amount of time looking at the report.

The underlying question I have is that you get an awful lot of information. We, as a committee, and the government receive just a consolidation of all your analyses. Before you get to that you have to do a lot of separating things out.

I would not mind knowing what you have separated out that you thought was not important. Maybe there were some good things there. Before we get into planning our future activities as a committee and assessing some of the things you raised in your annual report, there might well be other subjects that we would like to look at.

Mr. Ballinger: There was a bridge in Markham that started nowhere and went nowhere. The auditor did not feel that he wanted to put that in his report.

Mr. Cousens: I guess I would not mind knowing more of what is going on within your activities and your realm. I do not know what access I have to that and how I find that out.

Mr. Archer: There is an access. It is maybe not as direct as you would like.

We identify in our annual report every audit that we did during the year. Every audit that we do, we write a report on the audit to the ministry. Each of those individual reports can be made available to the committee upon a resolution of the committee. It is unusual for the committee to make such requests, although there have been a few in the past.

Mr. Cousens: I think you have just given me the out which I will raise when we are doing some of our other research. I do not have any testing of your passing the information on, but I think we

have got to ask more of the right questions. Maybe you have given me the way of doing it.

Mr. Archer: All right.

Mr. Chairman: Any further questions on the Provincial Auditor's estimates?

Mr. Ballinger: It is a great job, Mr. Chairman; it is self-explanatory.

Mr. Chairman: I think that we can be proud that we do have a Provincial Auditor and an audit office in Ontario that is probably second to none in Canada. We certainly appreciate that Mr. Archer has made considerable advances over the years and that he is at the forefront of producing literature in the field and leading the fight for more effective government.

Having said that—I am not usually that complimentary in estimates. Shall vote 3101 carry?

Vote 3101 agreed to.

Mr. Chairman: Shall I report the estimates of the Office of the Provincial Auditor for the year 1988-89 to the House?

Agreed to.

Mr. Chairman: We will now go in camera for the subcommittee report on the proposals for the future agenda.

Mr. Cousens: Mr. Chairman, I guess I would like some guidance on this.

Mr. Chairman: Sure.

Mr. Cousens: In fact, I withdraw it. I wanted to go back for some more detailed information from the auditor but I will leave that—

Mr. Chairman: I am sorry, because we could have kept the estimates open longer.

Mr. Cousens: I really do not mind, because once we have decided our agenda it will be easier to do it. I do not want to anticipate that.

The committee continued in camera at 11:14.

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Adams, Peter (Peterborough L)

Ballinger, William G. (Durham-York L)

Collins, Shirley (Wentworth East L)

Cousens, W. Donald (Markham PC)

Fawcett, Joan M. (Northumberland L)

Martel, Shelley (Sudbury East NDP)

Nicholas, Cindy (Scarborough Centre L)

Nixon, J. Bradford (York Mills L)

Villeneuve, Noble (Stormont, Dundas and Glengarry PC)

Also taking part:

Smith, David W. (Lambton L)

Clerk: Arnott, Douglas**Staff:**

MacDonald, Wendy, Research Officer, Legislative Research Service

Witnesses:**From the Office of the Provincial Auditor:**

Archer, Douglas F., Provincial Auditor

Otterman, Jim F., Assistant Provincial Auditor



No. P-1

Hansard

Official Report of Debates

Legislative Assembly of Ontario

Standing Committee on Public Accounts

Organization

Hiring of Housing Consultant

Second Session, 34th Parliament

Thursday 26 October 1989

Speaker: Honourable Hugh A. Edighoffer

Clerk of the House: Claude L. DesRosiers

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Contents of the proceedings reported in this issue of Hansard appears at the back, together with a list of the members of the committee and other members and witnesses taking part.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 26 October 1989

The committee met at 1004 in room 151.

ORGANIZATION

The Chair: I am going to call the committee to order. We have an agenda, but for technical reasons we will deal with item 1 at the next meeting of the committee.

Item 2 is the report of the subcommittee. Your subcommittee met on Monday 16 October 1989 to discuss the committee's agenda. It was agreed that the committee would meet for one day, 26 October, to discuss the Provincial Auditor's report on the Ministry of Housing audit of the contract with Dino Chiesa. It was agreed that the deputy minister would be invited to appear at this meeting to answer questions.

The subcommittee agreed that the agenda for the following weeks would be set out in the memo by the clerk. Changes in this agenda, of course, will be discussed as we progress.

The subcommittee discussed the Canadian Comprehensive Auditing Foundation conference to be held in Toronto, 19 November to 21 November 1989. I am hoping that some of you will have an opportunity to attend some of the sessions, if not all of the sessions, since it is in Toronto. It was agreed that the clerk would forward registration forms to the committee members as soon as the forms were received. I understand those forms have been received and therefore you will be receiving them. If any of you want to know which session to miss, I am doing the session at four o'clock on Monday.

HIRING OF HOUSING CONSULTANT

The Chair: We will deal with the special report, which you have received, into the particular Ministry of Housing audit contract. I am going to introduce our guests in a minute, and we have an opening statement by Glenn Thompson, the Deputy Minister of Housing, but before that I am going to ask Doug Archer to give a summary of some of the key points and his concerns resulting from this audit.

Mr Archer: I think all I would like to point out is just to go over briefly the conclusions that appear in the summary of the report. We concluded that the process followed in hiring the individual concerned was certainly within the overall parameters of the Management Board of

Cabinet directives. It was obvious that the preferred competitive selection was not followed, but the procedure that was followed was certainly acceptable under the guidelines.

We were concerned, however, with the way that the adopted procedure was conducted. We felt that it certainly did not meet the measures of fairness and equity. We also concluded that the ministry had very early decided on the individual it wanted for the job. Although they did go through the mechanics of a competitive selection procedure, we felt it really did not affect the decision they had arrived at earlier and that their minds, in effect, had been made up and that the individual they ended up hiring was almost a foregone conclusion. That is about the extent of my comments.

The Chair: Thank you. I would like to introduce our guests who will be open for questioning by the committee after hearing from the deputy minister. It was felt, after the subcommittee had its initial meeting, that based on the telephone conversation with the Provincial Auditor's office, we would have a more meaningful meeting this morning if we were to invite those people who had responsibilities at the time in which the various matters under discussion occurred.

Therefore, in addition to Glenn Thompson, the deputy minister, we also have Gardner Church, former deputy minister. Mr Church, would you smile to the members of the committee or to the cameras, whichever you prefer. We have Bryan Davies, also a former deputy minister and then, of course, we have the present deputy minister. We also have Arnie Temple, the general manager, corporate resources management.

Mr Thompson, you have an opening statement.

Mr Thompson: We are pleased to be with you this morning to have an opportunity to discuss the Provincial Auditor's report on the contract with Dino Chiesa. As the chairman has mentioned, Bryan Davies is here, who previously was deputy in the ministry and is now Deputy Treasurer, and Gardner Church, who is deputy minister of the office for the greater Toronto area. Mr Temple serves as general manager for both the Ministry of Municipal Affairs and the Ministry of

Housing, so he has that kind of corporate resource group reporting to him.

First, I want to welcome the auditor's conclusions that the process followed by the ministry was within the parameters of the Management Board directives and guidelines regarding the purchase of consulting services.

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However, I am concerned with some specific observations contained in the auditor's report. It states, "An open competition, the preferred competitive selection procedure, was not held for this position." The Management Board directive dealing with consulting services states, "Consulting services shall be acquired through a competitive process whenever possible with the objective of obtaining the best value for the funds to be expended." I would emphasize that the directive speaks to "a" competitive process, which does not, at least in our view, imply that there is a single or preferred process.

In many cases, open competition may be the appropriate approach and, as you know, is widely used across the government, but as the auditor's report points out: "Other competitive procedures are acceptable under Management Board guidelines. One such procedure is the determination of a number of candidates who have the necessary qualifications and limiting the competition to that selected group."

By way of background, I should explain that after consultations with the central agencies, it was decided that a consulting assignment was the appropriate method for acquiring technical advice and services on housing advocacy, a very important activity, I might say, in the Ministry of Housing.

To ensure that there was equality and fairness in the process, it was important that three elements be addressed. Those three elements are:

First, there had to be a job definition and a determination of the mandatory requirements that candidates had to meet. Both of those documents were prepared.

Second, there had to be a process for identifying a number of potential candidates. In this case, knowledgeable staff of the provincial government were canvassed, along with experienced housing industry experts.

Third, mandatory evaluation criteria needed to be drawn up.

In fact, all of those requirements were met. An evaluation panel was established, and members reviewed the list of candidates and the evaluation criteria. Thus a competitive process was put in place.

A conclusion reached in the auditor's report is that the procedure adopted by the ministry "fell considerably short in one significant respect, namely, demonstrating fair and equitable treatment of all considered candidates." If you look at page 7 of the auditor's report, the second paragraph, you will see the observation that the ministry's interview procedure did not treat all selected candidates equally.

The report goes on, "Unequal treatment would result in unfair treatment if more than one of the candidates possessed the necessary qualifications and the willingness to accept the ministry's terms and conditions." I accept that view completely. It is the ministry's position that candidates were treated equally and fairly.

The auditor's report states that, according to the ministry, only one candidate met those two requirements, what I call able and willing factors, if you will: able to do the job and willing to accept the ministry's conditions surrounding the job.

One other candidate was deemed not to be suitably qualified after the assessment process; two individuals were unwilling to work within the government staff bureaucracy and meet our mandatory prequalification requirements for divestiture and disclosure, and the fourth indicated he was not in a position to undertake the assignment on a full-time basis.

The auditor's report states, "The process followed was unlikely to have deterred the ministry from fulfilling its original intent." The ministry's original intent was to hire someone with the qualifications and the skills equal to or exceeding Mr Chiesa's, who, at the same time, was willing to meet all of the mandatory conditions.

On another issue, we agree with the auditor's criticism of a statement in the ministry's submission to Management Board in August of last year. The submission stated that all candidates had been rated by all members of the panel. The statement should have been to the effect that the qualified candidate, who was also willing to accept the ministry's conditions, was interviewed and rated by the full board.

As I said, our records clearly indicate that of the four qualified candidates, only one was prepared to accept the ministry's terms. The ministry accepts the responsibility for the wording in the Management Board submission; it certainly could have been much clearer.

I have attempted to give the members of the committee a brief response to the auditor's report. As you know, I arrived on the scene as the

Deputy Ministry of Housing a month or so ago, so I am not as familiar with some of the details as perhaps each of the other three individuals at this table are. Each of us varies in our time perspective on our involvement in these processes. However, personally, I am satisfied that the Management Board requirements were met and that the process put in place was reasonable and responsible.

We would certainly welcome any of your questions.

The Chair: Since you have raised a number of points that perhaps could be seen as being at variance with the auditor, I am going to ask the auditor if he has any comments at this point in time. He may prefer to wait until the summary at the end.

Mr Archer: I guess I could just comment that some of the conclusions we arrived at are subjective to some extent in that we did not have hard evidence to support, but I think we tried to look at it as impartial observers; I think that, as impartial observers, it would be hard for anybody in that role to come to any other conclusions.

For example, on the unequal treatment, there are just the bare facts that not all individuals were interviewed by the same people, in some cases by even fewer people. In one case it was only one and in several others it was two. The only candidate who got a full panel was the successful candidate.

It is difficult to see, in retrospect, at any rate, why they would not have gone on open competition. It took a year to fill the job in the first place, so that would be the only way, in my mind, that you could satisfy an impartial observer that there were not in fact other people out there who had the qualifications and were willing to accept the terms and conditions that the ministry laid down.

I think those are the only comments I would like to make at this time.

The Chair: I have seen a number of hands go up, and in the order in which the hands went up, I have the following list: Mr Pouliot, Mr Harris, Mr Cousens and Miss Roberts. Are there any other members who wish to be put on the list at this point in time? Feel free to signal at any time.

Mr Pouliot: Thank you, Mr Archer. Welcome, Mr Thompson. I am sure you are very pleased that there is reciprocity. We are pleased to have you here and equally pleased that distinguished members of the panel are here.

I want to go briefly through the sequence of events that took place, because the name of Mr Church seems to come up again and again. Tell

me where I go wrong, and please feel free to interrupt. We will do this together as good comradeship here.

On 20 June 1988, Mr Church wrote Pat Jacobsen and really lobbied or indicated that Dino Chiesa should be offered a job by the ministry, correct? Is that statement correct or incorrect?

Mr Thompson: I would suggest, Mr Chairman, that as we go through the elements of the occurrences that occurred in each of the times of the different deputy ministers here, those individuals respond, if you are agreeable. That makes more sense, to me anyway.

Mr Pouliot: I say "good morning" and the gentleman is stuck for an answer.

Mr Thompson: Not at all.

The Chair: Gardner Church, do you wish to respond?

Mr Church: Sure. Thank you. Yes, that is correct. Basically, it was the culmination of quite a long process of looking for the talent that the ministry felt strongly it needed.

Perhaps I should begin at the beginning. The auditor's report suggested in passing that there was a prior history to this competition, and there certainly was. I think it important to note that in 1986, as the government began to deal with what was the beginnings of its Housing First policy, we became very much aware—I had just accepted responsibility as the assistant deputy minister at that point for housing policy—that one of the key instruments of achieving the Housing First objectives was going to be much better and much more effective utilization of our land assets.

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The early decisions by the staff in the Ministry of Housing made it reasonably clear that in order to do that, we had to have access to a talent base we did not have. That talent base is essentially that set of qualities required in order to be able to get very substantially increased usages on lands in this urban area. It is a highly selective skill. Generally speaking, it is available only within the major development firms, and the nature of the development industry is such that it is available only in the senior members of those firms.

We did a fairly careful examination in 1986 of the provincial government as to whether those resources existed within it, and although there was one individual who we felt had those resources, he was not available to us. We next went to the federal government to determine whether it had that capacity. Essentially, the

CMHC organization had gone through a process of doing some very significant land deals in the mid-1980s. I had been informed by some of my staff and the Ministry of Housing that there were one or two people in CMHC with the kinds of capacities we were looking for and who may not have been fully utilized.

Late 1986, in discussions with CMHC, it was indicated to me that Dino Chiesa, who was then a federal civil servant and had been for some 12 years, could be made available in some form for a secondment to the provincial government in order to perform those services we needed. At that point in time we entered into discussions with CMHC and reached an agreement at least of principle on a secondment.

At the first meeting that we actually had with Mr Chiesa and his supervisor he informed us that, while he would have been very interested, he had received a private-sector job offer that was very lucrative and one that he was going to take, and those conversations ended.

From then, really, until the end of September 1988, when I left the Ministry of Housing, we felt consistently through that period that we had to attract someone of that calibre and Mr Chiesa became a benchmark, if you like. He was someone with the capacity and qualities we needed and became someone who still was like the person we had to have.

This may have been indicated in the popular press, but there was by no means here any kind of relationship with Mr Chiesa. He had been identified as someone with the capacity to do the job and he was the person we used as a benchmark throughout the process.

Later in 1988, as we carried on discussions with the building industry, it became quite clear that there was a possibility, which at this point appeared to be only a slim possibility, that Mr Chiesa may be attracted out of the private sector again, and that is when I began discussions with the central agency as to how this might be done.

Mr Pouliot: So on 20 June, you wrote a letter to Pat Jacobsen. When did you set the criteria for the position to be filled?

Mr Church: I think that was an evolving exercise. The original criteria were set in 1986, when we began the process of looking for someone who could do the land development processes and land development deals in the discussions we had with CMHC. The actual specific criteria written down for the competition were set down when the decision to proceed with a competitive process was made in July 1988.

Mr Pouliot: So you sent the letter on 20 June 1988 recommending Mr Chiesa?

Mr Church: That is correct.

Mr Pouliot: A month after you wrote the criteria?

Mr Church: As a result of advice I got from the central agencies, we decided not to do any form of sole sourcing but that we would go through a competitive procedure instead. As Mr Thompson indicated in his opening statement, in the process of developing a competitive procedure, one sets down the selection criteria.

Mr Pouliot: So you sent the letter, and after the letter you set the criteria. Did you conduct the interview, sir?

Mr Church: Yes, I did.

Mr Pouliot: You are a very busy person. So you send the letter recommending; and after, you write the criteria. Then you conduct the interview, with how many other people? Was there a panel of five, seven, nine or only two?

Mr Church: No. In fact, the process we went through—I want to be clear about this. We began with an interview, with a panel of three people to interview Mr Chiesa to determine whether he met the requirements. At that point, we suggested to the central agencies that we were prepared to single-source, to go to a situation in which we hired him as an individual on staff, prepared to go through the appropriate approval procedures. There are approval procedures within the Manual of Administration to permit that form of hiring. There is nothing unusual about that approach.

In consultation with my colleagues in the central agencies, it was suggested that that was not a sufficient test and that we should go through a competitive process. It would have been perfectly appropriate to proceed the other way, but it was decided it would be preferable to go through a competitive process. On that basis, we then began a competitive process, which quite naturally started with the development of explicit criteria.

Mr Pouliot: If I was to apply for a position where I was invited to do so, and great efforts were being put in place to find me a job; the person who recommended me for the position would also write, after the fact, after I had been recommended, the mandate to be fulfilled, the terms of reference that I must adhere to; and after that, that person would be one of only two or three to conduct the interview, without the usual and recommended, by convention and tradition, process of open competition, would I be at fault if

I felt, regarding my chances of success for the position, not that the fix was in but that I had a certain advantage, that it was a de facto situation, that I was about to receive many congratulations from colleagues and people who know me?

Mr Church: Yes, you would be incorrect.

Mr Pouliot: So I would not have the inside track.

Mr Church: Not at all.

Mr Pouliot: Well, what does it take to have the inside track?

Mr Church: I have never seen someone with an inside track in a competition that I have run, nor do I expect to.

Mr Pouliot: But this was not an open competition. Why was it not an open competition? Was time of the essence?

Mr Church: Perhaps I should go back and answer that question, but let me deal with the first one first.

Mr Pouliot: It is not an accusation.

Mr Church: I appreciate that, but they are two separate questions, the first question being: Was it an inside track? It clearly was not an inside track. A decision had been made that a sole-sourcing approach was not appropriate and that a competitive procedure should be undertaken.

The second question is: Why not an open competition? Perhaps I should address that in a fairly general way. The reality is that the talents we are looking for are not generally available in the marketplace. They are not the kinds of talents you can advertise for in a normal marketplace position. Let me explain to you why that is not there. In the letter I sent that you referred to, I laid out, I think fairly clearly, why we felt it was not feasible for us to contract with a normal firm of developers and consultants, and we laid out three reasons.

The first was conflict of interest concerns. On-going consulting firms, on-going development operations that we would normally contract with would be in a conflict position de facto the minute they were working for the Ministry of Housing on the Housing First proposition. Second, there was a direct management component in the task and it was exceedingly difficult to visualize how a management consulting firm or a development firm—to use an example, a house-building firm—could carry out its responsibilities for the ministry while at the same time running its procedures. The third reality was that there was an absolute absence, and there still is an absolute absence, of any firm within my knowledge, and my knowledge of the industry is pretty good, that

has the capacity to carry out the activities that we were describing as those of consultants as opposed to developers.

The talents we were looking for are exclusively the talents of developers. The nature of the public service compensation system and the relatively active housing market in the Toronto area is such that to attract any of the senior development industry people to the public sector will be exceedingly difficult. The fact of the matter is that we knew there was one person in that situation who had an attraction to the public service, who had experience in the public service and who might be available. So throughout the competitive process, we knew that there was one person who we felt was qualified and would, in fact, make it to an interview.

The subsequent set of interviews turned up three other highly qualified people, two of whom I would have been quite delighted to bring into the ministry in that situation and quite delighted to put to a full competitive review against Mr Chiesa.

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Mr Pouliot: Under other circumstances.

Mr Church: No, under precisely the circumstances we were using. The fact of the matter is that neither one of them was prepared to accept the divestiture and public service responsibilities that we were prepared to insist on.

Mr Pouliot: Did you go to their employers as you did in the case of Mr Chiesa to lobby them to release the other three as well?

Mr Church: No, in the case of Mr Chiesa we did not go to the employer. We went to the employer when he was a public servant. In the case of Mr Chiesa, when he was working with the private development firm, we spoke with Mr Chiesa. Similarly, we spoke with the individuals in the other three instances. It was a process of trying to persuade them to become involved in the competition. It was no different than the process we went through with Mr Chiesa in trying to persuade him to become involved in the public service.

I think we came reasonably close in one instance. We did not come very close at all in the other two instances. I can appreciate that there is a sense, certainly that you have, that this is not the way things happened, but that is the way things happened, and I am telling you quite categorically that that is the way it happened.

Mr Pouliot: You are very candid. With respect, please, let's not impute motives, and I am quite careful when it comes to this.

Was there any difference in the listing or the definition of criteria between the two documents, the one in 1986, the usual criteria for that position, and the one that was presented after the letter that you sent to Ms Jacobsen? Is there any difference in the two documents?

Mr Church: Sure. There was an evolution. In 1986 we were just beginning to get into the Housing First program and we had not, at that point, had the housing advocacy task force, nor did we have a clear sense of the form of nonprofit program that we would be developing. So by 1988, when we ran the competition, we did have a much clearer sense of the duties and responsibilities of the position.

Mr Pouliot: This is my final question and thank you kindly, Mr Church. In that process, it seems to me that fairness would dictate, to me—I am not suggesting in any way that anyone is not totally honourable, but if I follow the sequence of events, I would feel personally a little nervous. Something would tell me: “Gilles, be careful. Watch it here.”

You wrote the letter. People may think, the way you are seen, that you are favouring one candidate. You have done some, I say, lobbying. Let’s say it is not a vulgar trade this morning but an honourable profession. I am on record as to favouring one person. It is obvious; it is a matter of record. Then I set the criteria after the fact, you see, and there are some differences. I call it evolution, maybe. That would even make me more nervous, because some cynic could perhaps suggest that I set the criteria to fit the person. Then I, on a very restricted panel, conduct the interview. I said, “Is the gallery out there going to see me as a person for all seasons?” But I have a lot of power. I initiate, I instigate, I appoint.

Mr Church: That is the nature—

Mr Pouliot: And there is no open competition, so I create the format, I create the form in which I can do that. Systematically or deliberately, of course not, but you as a person, did you not feel a bit uncomfortable with that kind of situation?

Mr Church: I fully recognize that the particular competition we were involved in was one that was going to have to be managed very carefully, and I think it was. The reality is that the decisions that you describe are the decisions that a deputy head has. The Management Board guidelines permit and in fact encourage the kind of process we have. Had there been an active marketplace in which an open competition would have been useful, we would have been delighted

to use it. It frankly is easier for the public service, as well as being a good system of competition, to be able to run that kind of open forum.

In this case, as we knew from several years of trying to attract someone into the ministry, we had someone who could do the job. That does not mean that he was preferred. It meant that he was a benchmark others had to be equal to or superior to in order to take the job. It is not an unusual situation to be in. I think it would have been irresponsible for me as a public servant not to have tried to ensure that someone who was prepared to come in at a salary rate dramatically below that which he was earning in the private sector was encouraged to come into the public service. I think it is very necessary to try to encourage people from the private sector to come into the public service, particularly for roles like this, and I think it was my responsibility to try to make sure that his interest was maintained.

But had we found someone in the competitive process—as I say, two of the candidates were people I personally, as a result of my interviews with them, would have been delighted to have taken through to the second stage of the process in the interview panels. Had they been willing to accept the job, then a fully open competition of the sort you have described would have been completed. As it was, it got down to the point, under a competitive process, where only one candidate met all the criteria.

I accept your point that it would have been preferable if it were possible. If it were possible, if there was a marketplace, it would have been a preferable process, but that marketplace does not exist.

Mr Harris: I think the auditor’s report is a very condemning statement of what went on in this particular instance. One of our challenges is, I guess, to find out why. A more important challenge is to make sure that it never happens again.

I also apologize to the committee. There is a matter of House business that I am to be at, at 10:30, as House leader and I cannot stay too long. There is a whole whack of areas that I would like to pursue, and my colleagues I am sure will follow up on those, but there are a couple that I do want to ask about.

Mr Thompson, on page 5 in your statement, you say, “The ministry’s original intent was to hire someone with the qualifications and the skills equal to or exceeding Mr Chiesa’s.” That is your statement. I just want to clarify that that is not the auditor’s. I have a sense that that

statement of yours alerts me as perhaps even more condemning than the auditor's report.

You were Deputy Minister of Government Services for a period of time. If you were in the carpet business and you wanted to get carpet into a building, or if you were in the computer business and you wanted to sell computers, would you not agree with me that the name of the game is to make sure your product is the product that is used for the specifications that go out in the tender call, and that this indeed is the industry objective primarily starting out? If you want to get the inside edge, you make sure—and you convince the people doing the specifications—that your product is indeed the superior product, the one that you need, the one that will fit the needs of the client. That is very established practice in the industry and is a great way to sell, because then your competitors will have difficulty meeting those specifications. Would you agree with that?

Mr Thompson: I guess the process I am familiar with that existed in the Ministry of Government Services was that organizations such as the one you described in fact come along to the ministry and get prequalified, so that their product is examined and reviewed and they then get on a list of acceptable people to be examined in any kind of tendering process. So there is a way, quite effectively I think, to let the government know about yourself as a company and about your products and to have them looked over so that each individual instance of purchase by the government does not require a very elongated kind of process of examining every product from scratch. That I think has been a very useful mechanism over the years.

Mr Harris: I would like you to define it a little closer, though. Would you not agree that if you can get whoever is writing the specifications on that particular product that you sell to suggest the specifications of your product, you will have the inside track when it comes time to tender on that?

Mr Thompson: I suppose the instance I have just described in the Ministry of Government Services has been, over the years, the best way for a very large purchasing agency to avoid that kind of writing of tender calls to simply exclude everyone else. The design, of course, is to allow businesses across Ontario and across the country to have equal access if they can meet a standard.

1040

Mr Harris: I agree. What we have here in your statement is, I think, an admission, and what you have told us is that the criteria were Mr

Chiesa: "We wanted to hire Mr Chiesa. We have talked to him. We have examined him. We have received the lobbying phone calls and letters from industry people, from the Premier's office, from Patti Starr, from all the others. That's who we want. Now we are going to develop the criteria."

I guess what you tell me is: "This is how the criteria were developed. Here's who we want." And you are telling me, "That was how we formed the criteria of who we wanted for this position." I guess, given all that and given your admission of that, I do not think, if you interviewed everybody in the province, that you would find anybody who was more like Mr Chiesa than Mr Chiesa. Would you agree with that?

Mr Thompson: No, I would not. I think if you look at those criteria that were set out and that were approved through the Human Resources Secretariat, they are a description of, as Mr Church put it earlier, the needs of the programs of the ministry. They are certainly not a personal design around an individual. They are a set of product specifications, to use your Ministry of Government Services example, that says, "Here's what the ministry needs at this time for a period of time."

That is a common kind of practice in the government, as it is with management consulting kinds of events where one decides that a ministry needs a particular kind of consulting service. That is set out on paper and then several consulting agencies are approached and examined against those criteria. They make proposals, and there you have them.

Mr Harris: We may have to agree to disagree here.

I want to ask as well, do you have a copy of the criteria that were used for this?

Mr Thompson: Yes.

Mr Harris: I have not seen one yet.

Mr Church: Would you like me to read them into the record?

Miss Roberts: It is in appendix C of the auditor's report.

Mr Harris: Is it? That is fine then, if it is there. I apologize. Others can pursue that.

I want to pursue one other—

Mr Church: That is a summary of responsibilities. That is not the selection criteria.

The Chair: Just to make sure that the committee is not accidentally misled, appendix C is not the criteria; it is simply guidelines. There is a reference, however, on page 4, Mr Harris.

Mr Harris: If the criteria could be shared with the committee, then we could have a chance to look at it.

The Chair: You may want to check the reference on page 4 also while we are getting that.

Mr Thompson: We would be delighted to do that right now.

The Chair: Would you give that to the clerk? We will have it as an exhibit.

Mr Harris: I want to pursue one other thing. I will leave it to others in the committee to follow up with some of these, but I do want to ask one other thing. A number of statements have been made by Mr Church, Mr Thompson and others about how very difficult it was to find somebody who fit all these qualifications. A lot of them came into the difficulty, it seems, and it has been talked about again this morning, around the conflict; that this was a very sensitive job, if you like, and it was dealing with the building industry and you wanted to be very careful in these criteria to avoid any conflicts that might exist. I want to pursue that just a tad, if I can, because these criteria that you had seemed to be such limiting ones and eliminated so many people from the field.

Can I ask this. In this position of perceived conflict, would the person be in a conflict position because the Ministry of Housing is in fact not tendering in an open, upfront, fair way projects that you plan to do in the future; that in fact there will be some projects built worth billions of dollars—I think there is \$3 billion available in your new announcement the minister talked about through nonprofit housing; that in fact some of this money will go to a builder or developer or for purchasing land that will not be done in an upfront and tendered way?

The Chair: To whom is your question directed?

Mr Harris: To the current deputy minister. I have raised those concerns in the past.

Mr Thompson: I think both the selection criteria anticipate that that would be able to be dealt with and that the person's divestiture and declarations as he came into the job would be able to identify for him that that is going to be a requirement, and then the contractual document here, I think—

Mr Harris: No, no. Sorry to interrupt. My question does not have to do with the job itself right now, or with the individual or that part of it; it is what this person is going to do on behalf of the ministry. I get a sense that the ministry is

planning to award some contracts without tender. Therefore, this individual or somebody in the ministry could be perceived to be in a conflict position if there were any ties or any relationship out there in the industry.

If in fact that is not the case and everything that the ministry is going to do is going to be fully tendered and fully open and all builders and developers will have an opportunity for every nickel of government money that you plan to expend over the next period of time, I suggest to you that this individual who is in this job and all of you who are in the Ministry of Housing will not be so inclined to be in conflict positions, regardless of your background. That is what I am getting at.

Mr Thompson: I think Mr Harris is concerned about something he need not be in terms of the ministry's intention to tender contractual work. I really do not think that that is a concern.

In terms of the consultant individually in this case, I think there were clear statements in the document that Mr Chiesa signed. If I can just quote a piece of it, the terms of the agreement that he signed up for say:

"The consultant shall not engage in any work or business undertaking that interferes with the performance of his responsibilities, in which he has an advantage derived from work with the ministry or that will, or is likely to, influence or affect the carrying out of his responsibilities."

Mr Harris: I wonder if I could try one more time. If you did not require him to sign that, if you said, "Sure you can work for us even though you are working for a developer," what is it that you are going to have him do that will allow him to favour that developer he is still working for?

It was that condition, I am told, that limited the field to Mr Chiesa, or the criterion that fit Mr Chiesa. I am very interested in that aspect. If you retain somebody on contract who still did work for a big developer and he or she advised you at the same time, what is it that you plan to do that would allow that individual to favour that developer? That is the question.

The Chair: Mr Davies, do you have a comment?

Interjection.

The Chair: I am sorry, I thought it was Mr Davies who had a comment.

Mr Church: I think the limiting factor was not the conflict issue; the conflict issue was generic. If we were going to bring in anyone who was very active in the development industry to work within the provincial government, there are some

fairly obvious and immediate standards that have to be met that are somewhat difficult for an active developer to meet: property interests, interests in various firms, interests in various areas where the government is also active. I think those are generic issues.

The limiting factor we were dealing with was the absence of a marketplace for the talents we were looking for, the combined talents of the very extensive knowledge and understanding of literally how to do a land deal to get the kinds of densities and the kinds of numbers of units that we wanted so that the public sector was not essentially victimized in this process.

That is particularly important when you are trying to create affordable units, as you know. If you are on a \$1-million piece of land and you get only 10 units, you have \$100,000 in each unit as your land cost. If you can get 15 units, it is 50 per cent less.

That is the basic talent that is largely available, in fact I think exclusively available, in the major housing firms that do land development in the Toronto area, and it is also an area-specific talent, because the mechanisms and activities in this area are quite different from the rest of the country.

That is what had us basically down to a moderate—and it was not that narrow an area of search, it was an area of search that basically consisted of the housing industry. When we went through that area search, we did find four candidates who met all of those criteria. All four of the qualified candidates met all of those criteria.

The Chair: Mr Harris, with your consent, Mr Pouliot has a supplementary.

Mr Harris: That is fine.

1050

Mr Pouliot: You are obviously determined and therefore, I would assume, very knowledgeable in the view, if not persistent, that at that time there was quite a shortage; and your lengthy specifications—stopping just short of distinguishing birthmarks, by the way—leads you to believe further that there was no one out there. Would you favour us with copies of your advertising process to find out whether there was one, some, many or whatever in the marketplace?

Mr Church: The mechanisms we used are described in the report of the Provincial Auditor. The primary mechanism we used was essentially to go to the three major industry associations where people with the experience we were looking for tended to be, and basically discuss

with those associations the circumstances in which we would be able to free these people up.

If I can just emphasize three key factors, the first is that every one of these people we would be looking for is making very substantially more money in the private sector than he ever could hope to make in the public sector; the second is that the divestiture requirements, the conflict-of-interest requirements that we made, mean that you have to get those people at a point where they are either about to retire, just retired, have just divested or have sold their major assets, so the fact of the matter is that you have to find these people at a point in time where they might be available to consider the job. I was quite pleased that we found four people who, at least on a preliminary basis, were prepared to look at it and who met all those qualifications.

The Management Board guidelines are very clear in this, that that is considered a perfectly acceptable competitive process, a selected search process. It did not require an open competition, and an open competition would not have produced the candidates we were looking for. They had to be attracted.

The Chair: One last supplementary, Mr Pouliot, because I do have a list.

Mr Pouliot: Yes, thank you. I do not wish to prolong this, but this is intriguing in style, method and, you know, the approach, the philosophy and the adherence here. In the United States they call those people dollar-a-year men. There is very close scrutiny here. It is often the way you are seen. You are not running a business, sir, with high respect. People are trying to run a government—fair play.

Mr Church: I appreciate that.

Mr Pouliot: Again, I am not suggesting that this was not fair, but there is a certain element in that it is deliberate and systematic. How do you know, sir, because you work very hard and very long hours, that there was nothing out there to fill the criteria without going the usual route? There is no shortage of money; in fact, you are encouraged to advertise. This is the thrust of economic success, if you wish, for lack of better terminology, in Canada. There are a lot of people out there. How can you insist with such certainty and determination that there was no one, when you never even tapped the marketplace? You went to people who are in the field and you are to be commended for that. Why not? It is a good thing.

Also, as that is one of the components of advertising, you would tap all the resources, but in this case this was not done. I could have been

sitting home until the proverbial hell froze over and I never would have heard of you unless I had some knowledge of the way the system operates and unless I had an angel, someone who knew someone who could recommend me. I am trying to be candid here, but I can add. While you are trying to think of answers, I calculate and I am still short of satisfactory answers. As we get deeper into it I begin to see and I say, "Oho, that is the approach that they use." It is not the approach that the government likes. The public sector is not the private sector.

Mr Church: I think, though, that the process we used was regular and very much within the guidelines that Management Board has set, and the auditor found that. What the auditor was sceptical about was that we were doing it in good faith; but the fact of the matter is that we did go through the appropriate procedures, and Mr Archer has just described them.

In the case you have asked about, there are a very limited number of people in the business that I have just described. There are a very limited number of companies in that business in the Toronto market area.

We essentially reviewed, by going to the industry associations, virtually all of the people who were active in the housing development market in Toronto currently. That is pretty nearly a universal search for the areas that we were talking about. There is not much point bringing in a developer from Houston to work in the Toronto market area, because it is an area-specific and unique exercise. So a wider search or going to an executive search company or that sort of thing, which were all feasible options and options we looked at, would not have produced, in our opinion—and I guess we are paid to make those judgements—the candidates we felt we needed to attract.

The Chair: For the record, we have received a copy of the selection criteria; it will be exhibit 29. Mr Cousens is next on my list. Also for the record, just so we do not have any misunderstanding as to the search you conducted: We have received the selection criteria; am I correct that the search you did conduct of the industry was what one would call a verbal search, that there was no mailing and that companies were not mailed these criteria at any point in time and asked if they had anybody in mind? Is that correct? There is no documentation other than this, on this one topic that has been the centre of questioning for the last 15 minutes, that you can provide to the committee.

Mr Church: In terms of selection criteria, you are correct. We were not interested in approaching companies, for the reason I discussed earlier.

The Chair: These were not mailed and there was no written correspondence with any of the companies that you can provide to us.

Mr Church: That is correct. We were discussing with individuals.

Mr Cousens: When I brought forward this motion to the committee for approval on 29 June, I was concerned with the innuendo around the hiring process, a number of concerns that I really wanted to have aired fully and properly and with as much information as possible so that the future of our province could be guaranteed that we are not going to have situations that are not totally right.

I am very concerned with what I have here. On the one hand, I have a statement from the auditor which raises a number of concerns. On the other hand, I have a statement by the Deputy Minister of Housing which would almost whitewash the entire thing and say that we are wasting our time. He does not say that in so many words, but that criteria were drawn up, a competitive process put in place, with equality and fairness in the process. It would almost appear that there is just no problem here.

I would hope that some answers are forthcoming that would satisfy concerns that I still have, in spite of the fact that two of our colleagues have raised a number of issues.

I have a number of questions. As I go back to the auditor's report, in the conclusions he drew he notes the deviation from the prescribed practice in the hiring and interview process, a large deviation in the hiring and interview process for the successful candidate. I would like to ask if any of the deputy ministers who are here have any explanation of why this was the case.

Mr Church: Our view is that in fact there is not a significant deviation from the process.

Mr Cousens: Remove the word "significant." Are you saying there was no deviation at all?

Mr Church: I am indeed. I think the reality of the situation was that under the guidelines of Management Board, there are a certain number of criteria that have to be filled in order to have an adequate and appropriate competitive process. It is our view, the view of the Ministry of Housing, that those processes were met.

That is not to suggest that this particular market is not an unusual one and requires an unusual degree of searching, but the fact of the matter is that the processes, in our view, were

perfectly appropriate. In fact, I think the auditor is suggesting that the processes were appropriate, but the commitment to the results is what is being questioned by the auditor more than the processes.

Mr Cousens: I go back to the auditor's unbiased report, in which he says that you did not demonstrate "fair and equitable treatment of all considered candidates." On the one hand, he is able to say that. He is able to give evidence of the number of people who appeared in the interview process and the whole interview process itself. You are saying, on the other hand, that there is just no deviation at all. I would have to say, if that is the case, then you as deputy ministers in our government should be looking at the whole hiring process and how there can be fairness and equality for people who are going to be considered for opportunities.

I am satisfied that the auditor has said there is a deviation; you are saying there is none. I would like to know how you can justify saying that you had fair and equitable treatment of all considered candidates.

1100

Mr Church: I think if we go to the point where the difference of opinion exists—and it is a difference of opinion—it relates around the auditor's statement about the evidence to the effect that the three candidates who we determined to be qualified were unwilling to proceed to the job. The auditor's report states that the auditor is not convinced to that effect. He is not convinced that we in fact had three qualified candidates who were unwilling to come.

He cites as his reason for this that the interviews we had with them were not formal interviews, they were not interviews at a board, they were rather discussions in which we were trying to attract them to become interested in the job. I can understand how the auditor could reach that conclusion. I happen to disagree with the conclusion.

I know that the three individuals involved were qualified. They were capable of carrying out the job involved and, for a variety of reasons that I would be prepared to discuss as long as their anonymity could be preserved, they were unprepared to submit to the structure of the job we had envisioned. As a result, there was not much point of bringing those people to an interview panel for a job they did not want.

Mr Cousens: Did Gordon Ashworth nominate Mr Chiesa?

Mr Church: No, I never heard from Gordon.

Mr Cousens: Who nominated or suggested Mr Chiesa?

Mr Church: I found out about Mr Chiesa in 1986, basically from CMHC and my director of housing policy knew of him in CMHC.

Mr Cousens: So you are the one who put his name forward?

Mr Church: As the deputy minister, I was the one who was making an effort to retain him or someone who had his capacities.

Mr Cousens: Have you answered my question on who suggested Mr Chiesa?

Mr Church: I think the two people who suggested him were a manager in CMHC and the director of housing policy in the Ministry of Housing. They were the people who brought him to my attention. I had no knowledge of Mr Chiesa prior to that and have had no other pressure exerted on me, if you like.

Mr Cousens: To your knowledge, does or did Mr Chiesa have any contact with Tridel?

Mr Church: Not to my knowledge. Perhaps in CMHC. Tridel was very active in the housing market. In CMHC, with his responsibility, he doubtlessly dealt with them, but no, not to my knowledge.

Mr Cousens: When was the minister apprised that Mr Chiesa was going to be the selected candidate?

Mr Church: I guess I indicated to Mr Curling in late 1986 that CMHC had an individual who was apparently available at least part-time to work with us.

Mr Cousens: Was that the same job you ended up hiring someone for?

Mr Church: With variations caused by the change of time, yes.

Mr Cousens: The process defined in the report on the hiring of the selected candidate, has it been used for hiring other high-level officials in the Ministry of Housing?

Mr Thompson: I think the best answer to that might be an audit of consulting contracts which was conducted and ended this past spring in the ministry, which indicated that those contracts had been handled in a way that was consistent with the Management Board directives. We had a review which was conducted in our audit area to ascertain that.

Mr Cousens: I do not know what you just said.

Mr Thompson: We audited those consulting contracts with the ministry over a substantial

time period and found that they had been managed in accordance with the Management Board directives, in the opinion of the auditor.

Mr Cousens: In the opinion of the auditor and yourselves, how many people who are brought into senior positions are brought in this way?

Mr Thompson: I am not sure that was reflected in the auditor's report.

Mr Cousens: I do not know how common or uncommon this is as a process that is used to bring people in to a fairly high-paying job. What is the salary of this position? What is he getting paid?

Mr Mishchenko: He is paid \$116,700 a year.

Mr Cousens: That is not a low-paying job. How many people are brought in in this way in the ministry? If you have 100 people hired, are 99 hired this way?

Mr Thompson: I guess across the government the Provincial Auditor may be the best adviser in this room of the total of management consulting fees in the government on an annual basis, but it is quite substantial. In those instances, people are brought in in a process not dissimilar to the one that is described here, and that is described in the Management Board directives that I have in front of me, whereby companies are approached and they put in proposals and they are reviewed by a group of individuals and one of them is selected and carries out contracts similar to this kind of work.

Mr Cousens: I will make a comment in which your answer really forces me to believe that it is no wonder that there are many people who see the Ontario government as a closed shop in which qualified, interested, capable people who may be 55 or older, who may be very qualified in many ways, would like to find a way to get a job in the Ontario government.

In spite of the fact that you are here and we are giving you a tough time, it still is a wonderful place. It is a great place to work and we are all very proud of it. Yet the concern that I have is that unless you are in a select group or know somebody or have some special contact, whatever it might be, the perception, which is the reality we deal with as politicians, is that it closes the door to a large number of capable, qualified, good people who would otherwise want to be there and be considered. Therefore, when you have this process, they end up going away very confused, very frustrated, very hurt. It leads into a number of ramifications that I do not think convey the kind of image of an open civil service or an open government that I think is important to

what I want to see and which this standing committee on public accounts will hopefully look into.

Mr Thompson: Can I speak to that?

Mr Cousens: I would appreciate it if you did.

The Chair: Is that a statement or a question?

Mr Cousens: I will put it in the form of a question.

Miss Roberts: His voice was up at the end; it was a question.

The Chair: I did not catch that subtlety. I assume that it is a question and I am going to give Mr Thompson equal time.

Mr Cousens: Not as long.

Mr Thompson: Were it not for the fact that the situation is such, out in the community, that there are areas where we require service that are highly specialized—one field that you know much about, Mr Cousens, certainly is the area of information systems. In that area, just to take an example, if one were going out to seek a consultant in the area, it would be common, I think, that one would approach a set of companies that the government had information about in terms of their capabilities in some particular area; approach them, get them to make competitive proposals for whatever it is that has been defined; evaluate them and they are taken on for a contract. This is not for the permanent public service; this is for a period of time for a particular kind of job.

I do not think Management Board would ever have been led to set out the kind of consulting service directions that we have if it had found that you could simply put an ad in the paper and hope to get individuals for those kinds of services. I guess if any of us were running an information systems consulting firm, we would probably expect to be approached in some way or other that recognized our particular capabilities and not be writing proposals to the government over and over again. That is the other side of this question. Firms very often complain to anyone who expects them to generate very expensive proposals if there is very little opportunity to get the job.

If one, for example, just put an ad in the paper and 100 firms replied, 100 firms have had to generate a proposal at some considerable expense. If seven or eight firms are approached, as often is the case in these kinds of consulting things, then seven or eight can take a crack at that if they want to. They size up whether or not they have the likely ability to do the job on time and to fulfil the kind of requirements; whether they can win out. The same applies to any number of types

of consulting, not just information services in the government.

Mr Cousens: I give notice that I will move or cause to be moved that the standing committee on public accounts will be looking at and want to look at further the hiring processes of the Ontario government as it relates to part-time or special contracts. In spite of what you said and I know there is a need for balance on it, I see the situation here in which the auditor has declared that there has been a problem and in which senior representatives of the government are saying that there is not a problem and I therefore owe it to those people who are looking for opportunities to see that they have a fair chance.

I have a few more questions. I know there are many who would like to talk. We may have to go to another—

1110

The Chair: You started at 10:58 am, so you have only used 12 minutes. The previous questioners have used more time than that, so carry on.

Mr Cousens: I am just very sensitive to everybody having—

Mr Curling: There is a sort of a time limit here.

Mr Cousens: I would see that the former Minister of Housing may have a chance to raise any questions that he might have.

Mr Curling: I would love to.

Mr Cousens: I fully respect that need.

The Chair: It is quite normal to allow a member, in this committee, to go at least for 20 minutes, as long as they are asking questions that are relevant and all the questions I have heard so far have been quite relevant to the matter under discussion.

Miss Roberts: We would be more than pleased to have Mr Cousens continue on this.

Mr Pouliot: One moment there—Do not be too pleased.

Mr Cousens: I thank the honourable member, chairman of caucus of the Liberal party. Why was Mr Chiesa brought in on a fee-for-service contract basis, rather than on an employment contract basis as originally proposed.

Mr Church: I should read to you the official version that in fact was communicated in the correspondence with the central agencies: "While Housing originally proposed that this position be salaried, we have accepted the advice that because the position is senior, time-limited"—and that was a key factor—"and highly specialized, a

fee-for-service approach should be used. The aim is to produce policies, processes and methods that can eventually be taken on by our existing program and delivery organizations."

That is the key component: that it was a time-limited proposal to change the way the organization was functioning to bring it in, which from the perspective of the central agencies was closer to a consulting position than it was to a line management position. It could have been either quite frankly. It was close to the line and that was the cause of some discussion, but the conclusions that the central agencies reached was that this was the more logical approach.

Mr Cousens: I will not go further into that one at this point, but I will later at another time, when we get into this larger issue. I would like to ask further about the delay that was encountered by Mr Davies after he was appointed as deputy minister in September 1988. He informed what turned out to be the successful candidate that the hiring had been delayed until he was assured the need for the special adviser—in my own words at this point—The ministry's deadline for the position was originally 1 October 1988. When did the ministry then decide to proceed with the hiring of Mr Chiesa?

Mr Davies: Mr Cousens, I arrived at the Ministry of Housing on 3 September 1988 and found that the ministry had many activities under way. I really wanted time to apprise myself of the nature of the activities of the ministry, of the capacity of the ministry and of my capacity as the person responsible for the efficient and effective administration of the ministry to be pursuing those activities simultaneously and quite frankly to satisfy myself that we did not have—That our resources within the ministry and within the government as a whole did indeed need supplementation.

I took some due deliberation on that and rather than acting as quickly as some might have suggested I should have acted, I waited until I was more familiar with the portfolio. I became familiar enough to make my determination in early December that indeed we did need that sort of supplementation of the type that had been contemplated when this exercise had been commenced. I reinstituted discussions with Mr Chiesa at that time; I think it was 13 December or thereabouts.

Mr Cousens: What did you do to satisfy your apprehension about this appointment?

Mr Davies: I would suggest to you that I did not have an apprehension about this appointment. I wanted to satisfy myself that indeed the

functional activity needed supplementation and that, as a ministry, we could be addressing a series of initiatives that we had under way in the fall of 1988 in an adequate fashion, so that we were not too scattered in our activities.

Mr Cousens: During this time, who did you consult with on this matter?

Mr Davies: In terms of a decision to delay?

Mr Cousens: You indicated a number of things that you had to resolve in your own mind from when you took over the post and until 13 December. Who did you consult?

Mr Davies: In terms of familiarizing myself with the Ministry of Housing's activities and its portfolio of responsibilities, I, like any new deputy minister coming into any portfolio, received numerous and I must say very effective and excellent briefings from staff of the ministry. I spoke to them, and just in the process of being involved in the files of the ministry, I became much more comfortable and familiar with the activities of the ministry.

The Chair: Mr Cousens, Mr Pouliot has a question, if you wish to allow that.

Mr Pouliot: Miss Martel.

The Chair: Miss Martel; I am sorry.

Miss Martel: No.

The Chair: Somebody had a supplementary, is that—okay, carry on, Mr Cousens.

Mr Cousens: I lost my train of thought for a moment there.

The Chair: I apologize, but I was getting motions from that corner.

Mr Cousens: Was the minister kept informed during this period of time when you were reconsidering whether or not you would be proceeding with this position, and to what degree was she involved in your deliberations?

Mr Davies: As a deputy minister, I view it, at any rate, as my responsibility to keep my minister informed of deliberations that I am making, even though those deliberations are of an administrative nature and therefore fall within my purview and responsibility, and I kept my minister informed of numerous matters relating to the development of the ministry's activities and the administrative aspects of those activities.

Mr Cousens: I am trying to think if there was any pressure on you to hire Mr Chiesa.

Mr Davies: No. I can say that I read with interest the comments on page 8 of the auditor's report where it is indicated that the actions of the individuals in question who were interviewed by

the Provincial Auditor were not influenced by way of contacts made by people from outside the government or from inside the government. I was the deputy minister responsible for the administration of the Ministry of Housing for the year that I was assigned to the ministry and I found that I was able to do my job fully unencumbered.

Mr Cousens: I thought there was an urgent need for the appointment of this person. I am just wondering why there was a seven-month delay past the time in which you were going to make the appointment. Is there some point at which you cross over the urgency to something else? I am concerned about the total length of time that elapsed from the time when Mr Church was involved and then you and it comes up to 13 December. Was the urgency lesser or greater during that time? How can you explain that?

Mr Davies: I attempted to indicate earlier, Mr Cousens, the fact that, as a new deputy coming into a portfolio with which I did not have as much familiarity as my predecessor, I did want to satisfy myself as to our capacity to do all these things simultaneously.

Urgency? Yes, everything in the Ministry of Housing, and for that matter in many of the ministries of the government of Ontario, are pressing and demanding issues. I still think that it is appropriate and prudent administration to deliberate before making decisions.

Mr Cousens: Did Mrs Starr ever phone you?

Mr Davies: Yes, she did.

Mr Cousens: I guess one of the things I would like to tie into at this point is that in the auditor's report, on pages 7 and 8, a very interesting relationship is made between yourself, the ministry, the minister and Mrs Starr. It says in the auditor's report, "During our audit we learned that Mrs Starr"—do you know, does everyone know who Mrs Starr is? There is a little inquiry going on at the Houlden commission that maybe this should be part of, and maybe when we are looking at the relationship that exists here it is another one of those things that the Houlden commission may well want to take under advisement that again there is another effort by another force that is coming in to influence Ontario's decisions on the hiring of certain people and the appointments of certain people. One cannot take away the importance of these lines that are defined by the auditor.

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The auditor says: "During our audit we learned that Mrs Starr had approached individuals regarding Mr Chiesa: Hon Chaviva Hošek,

Bryan Davies and Tom Zizys. In addition Gardner Church had breakfast meetings with Mrs Starr on May 5, 1988, and August 9, 1988. Mr Church indicated that these meetings 'could conceivably have been Dino pitches' but couldn't recall. However, he stated he was aware Mrs Starr thought highly of Mr Chiesa."

I realize it is not for us to even try to be the Houlden commission. We do not have the skills that a learned judge would have in dealing with this, but it raises the spectre of problems and increases the speculation around the whole hiring process of one successful candidate for a position. We cannot take away the importance of having a clean civil service and a clean hiring process, and so I ask Mr Davies—and then if he would not mind passing it on to the other honourable former deputy minister—for comments on the influence that was brought to bear on them by Mrs Starr.

Mr Davies: Let me start by stating that I administered my responsibilities as Deputy Minister of Housing in the province of Ontario in a very unbiased and objective manner and that any decisions I made were made by me on that basis and, as the auditor's report concurs, I was not influenced by any communication on this matter or, frankly, any other hiring matter or matter of administration of the Ministry of Housing when I was its deputy.

Mr Cousens: If I can stay on that, did anyone else other than Mrs Starr, who obviously was making an effort in support of Mr Chiesa, come along and try to influence your decision? Please do not see me as passing judgement. Remember now, you are not under oath. We are gentlemen and hopefully there is a sense that—but did anyone else make an effort to try to persuade you to hire this person?

Mr Davies: Mr Cousens, perhaps I could return to your question, which I answered in the affirmative, which was, did Mrs Starr ever call me? The answer was yes, and perhaps I could elaborate on what she called me to state and when.

Interjection.

Mr Davies: Sorry?

Mr Pouliot: No, I am sorry.

The Chair: Please carry on. Ignore the interjection.

Mr Davies: Mrs Starr did call me in early October at the time at which I had decided to defer a decision on pursuing a consultant. Mrs Starr indicated to me that she was concerned with a decision not to proceed. I do not recall if she

mentioned any specific concern with not proceeding with the individual in question. I indicated to her that this was a matter of my decision and determination and that I was making it, and that was the end of that telephone conversation.

Mr Cousens: Did anyone else—

The Chair: You have used about 22 minutes. I can give you two more questions and then go to some other members. We can put you back on the list.

Mr Cousens: Okay. I do respect the fact that there is a large committee.

Did anyone else try to influence you in hiring Mr Chiesa?

Mr Davies: No, they did not.

And I am not even certain—I would like to clarify that—whether I would have characterized Mrs Starr's phone call as an attempt to influence, because it did not succeed in influencing me in any way.

Mr Cousens: Would Mr Church be so kind as to comment on his contacts with Mrs Starr during this process: to what degree did she try to influence the decision for Mr Chiesa and if anyone else did try to make that influence?

Mr Church: I can remember no specific indication from Mrs Starr that I should be favourable to Dino. I was aware—and I must say I cannot recall specifically how I knew—that she thought very highly of Dino.

Of the meetings that I had with Mrs Starr, I can account for one quite directly. It had to do with her role at Ontario Place. The other, I think, was a general meeting to discuss social housing, in which she was very active.

I cannot tell you explicitly whether she did or did not suggest that Mr Chiesa would be an appropriate candidate. But, like Bryan, it is not unusual for individuals to suggest to deputy ministers and senior civil servants that there are qualified candidates. Sometimes it is very good information and an interesting lead, but you have to be careful and you have to be certain that opinion is not influencing your judgement. I think the independence of the public service and the merit principle are really fundamental in this exercise.

The Chair: Miss Martel wants a supplementary. I will grant her a supplementary.

Miss Martel: It is the reference to Patti Starr which really bothers me. I do not think any member who was here—and I was not, I do not think—at the time when this review was going on, when the new deputy minister came in and

said that we need to look at this process again, and I do not think I would have been aware that there had been a halt called in that process. I am just wondering how Patti Starr would have known to call you and express her concern that there was a halt in the review process for this particular position. Where would she get that kind of information, that in fact a review was going on in the process at that point in time?

Mr Davies: I do not know how she would know. I can only presume.

Miss Roberts: How did the press know?

Mr Cousens: How do you presume, then?

Mr Pouliot: This is going from a can of worms to a bag of snakes.

The Chair: Are you saying that you want to presume or that you would rather not answer the question because you do not have an insight?

Mr Davies: I do not have an insight into that.

Miss Martel: May I ask one other thing? Would Mr Chiesa have known that there would have been a halt in the review?

Mr Davies: Yes, definitely. I felt it was my responsibility to inform Mr Chiesa that I had decided to defer a determination in this matter.

Miss Martel: But no one from any of the staff here is quite clear how it came to be that she might have discovered this and then made a subsequent telephone call outlining her displeasure with that particular process?

The Chair: The nods are indicating that nobody who is a witness has that information for us. Mr Cousens, one final question, and then Miss Roberts.

Miss Roberts: We will be requesting the full half hour, if this is the final question. We have waited for an hour and a half approximately.

The Chair: I have Miss Roberts, Mr Curling and Ms Poole.

Miss Roberts: That is right.

The Chair: So I assume they are our next questioners.

Miss Roberts: Thank you. If I might, you were dealing with the hiring of a consultant in the Ministry of Housing. If you had done an open competition, what would you have done differently? Most likely Mr Church would be the best person to ask, or perhaps Mr Davies.

Mr Church: By "open competition," I presume you mean an advertisement in the newspaper, that kind of competition?

Miss Roberts: I do not know. You people have used that—"you people" being the people

who are to be the experts, I would like to hear from you.

Mr Church: I think the general meaning of the word "open" competition, as opposed to "general" competition, is one in which an advertisement is placed in front of the general public and the general public is given an opportunity to respond. In my opinion, the essential difference in process there would have been that had we done that, we would have had an enormous response rate and spent a great deal of time going through the responses. I was quite comfortable in my determination that we would have failed to find a candidate.

Miss Roberts: It would have taken a longer period of time to do that; is that correct?

Mr Church: It might have, but as this was a very time-consuming process, we really began in 1986 trying to find someone to fill this role. I am still quite confident that a general advertisement would have consumed a lot of public resources but would not have produced a successful candidate.

Miss Roberts: Is there a different meaning for "open competition" through Management Board directives for hiring a consultant than there is, maybe, for hiring an on-line management person?

Mr Temple: If I may, with consulting services I do not recall that; I have the directives in front of me and I will have to review them. The term "open" is not referred to. What is referred to is a "competitive process." There are various processes used to obtain services. On an employment basis, there are various activities used to obtain employees; and to obtain consulting services or purchase products, there are other processes used. Each one is designed to elicit the best response possible, given the circumstances and needs at that time.

Miss Roberts: That is what I wanted to come at, that indeed there is not necessarily an open competition for this sort of thing as there is for other processes within the hiring practices of the government. That is my understanding and you have cleared that up.

Mr Thompson: Mr Chairman, if I could just interject on that, it might be helpful for members to know, as you may see in the Topical/Jobmart newspaper that comes out regularly, that there is the use of the terminology there that people tend to drift over into consulting contracts around where there are open and restricted competitions. The open one simply means that it goes beyond

the current public service; that people outside of the service can apply.

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Miss Roberts: My concern was that the auditor had used the term "an open competition" and I wanted to just zero it in for consultant services.

The original time frame and the time that you people had been involved in this seems astronomical. I believe, Mr Church, that 1986 was your first understanding of this and that there seemed to be a reason to get it going in the spring of 1988. You made your first approach, saying, "We'd like to hire this person because he fits in as"—whatever your criteria were at that time. At that time a decision was made to have a competition.

Mr Church: That is correct.

Miss Roberts: When that decision was made, did you make up the criteria, the selection criteria?

Mr Church: That is correct.

Miss Roberts: And they were submitted, I assume, to the central group, the central agency; is that correct?

Mr Church: That is correct, yes.

Miss Roberts: From the information you have given here today, you did not give them to anyone else. Would it have been helpful to, and why did you not, send these particular selection criteria to those people you contacted? I think you said there were three or four companies that you contacted verbally.

Mr Church: To be clear, we were quite convinced, and I am still convinced, that active companies were not groups that would be able to fill these terms and conditions. The conflict problems that Mr Harris referred to would be too severe. We were looking for senior individuals within those companies—presidents and vice-presidents—who would be prepared to leave the companies absolutely for a period of time to serve with the public service.

The result was that we approached those individuals on a very informal basis that consisted of saying: "Here's something we want to have done; we'd be very interested in having you come to a competition and go through this process with us. Would you submit to an evaluation of whether you have the skills and qualifications that we need?" They all agreed to do that part.

We had a series of meetings in which we described the job and described the merits of the public service. Again, I emphasize that there was

a fair measure of requesting by the public sector here. It is not an easy task to recruit people from jobs that pay, quite frankly, astronomical amounts of money, and get them to come for a substantially reduced income. There is a call to the interesting nature of public service work and the challenge and the nonmonetary rewards associated with it. So the result was that at the end of that time we had five people whom we were quite satisfied were interested. One of those, we decided, was not fully qualified according to the criteria that you have there; the other four were.

Miss Roberts: My concern is with the criteria, the last three really: (6) to cease real estate business; (7) disclosure, and (8) exclusivity. You said there were two candidates whom you would have really liked to have been able to work with. Can you give us some insights into that?

Mr Church: We will call them candidate 1 and candidate 2, if we might.

Miss Roberts: Please.

Mr Church: Candidate 1 is a very senior member of a firm, who, when he was contacted, indicated interest. He had been with the firm for a long period of time, was financially independent and was interested. He recognized that we had a very severe housing problem and land was a key factor here. His issue was that, I guess because of his years of senior experience, he was not very interested in working within a bureaucracy. If we had made him special adviser to the Premier or something, I think he would have been delighted to come in and take over the land and do it for us. That obviously does not create the kind of management structure and accountability that you want. So that particular approach was not attractive to him. He was not, quite frankly, amenable to taking directions from a bureaucrat.

The situation of the second one, candidate 2, who was perhaps even more qualified—and I think in my own mind candidate 2 was very highly qualified—was a little different in that I do not think the bureaucratic structure bothered him so much as the exclusivity issue. He had a desire to continue to be involved in the market to some degree. He also had a problem with his health. He felt that full-time work was quite inappropriate for him, because he was a retired senior principal and wanted to be able to continue with his finger in the work and not work full-time.

Miss Roberts: One question that has been brought up in the questioning from time to time this morning is the exclusivity part and the way you have got to that process, first thinking about

hiring the one candidate and then having to go to a competitive type. Why did exclusivity become so important? That seems to be the telling difference.

Mr Church: Only in the case of candidate 2 is it the telling difference. The problem that we had is, given that the provincial lands lie right across the province, are adjacent to a great many other lands owned by private people, some of whom are very controversial people, and given that the nature of the land development business is that if a neighbouring property increases in value dramatically it has a tremendous impact on your bottom line, we had to be absolutely sure that the individual working on our behalf to produce those values for the public service did not have two interests in mind when he did that; that he was working for the public and did not have a private gain in mind for himself or one of his associates.

That again, I think as Mr Pouliot said, is not a suggestion that these people are not honourable, but it is a recognition that we have to be above question in these issues.

Miss Roberts: Thank you. I will defer to Mr Curling. I have some other questions.

Mr Curling: I know in retrospect, in all things in life, things could be done differently. Maybe I will put this to Mr Church. Would you have done this recruitment differently now as it is laid out today?

Mr Church: Given the auditor's perspective on the degree of—let me start that sentence again. Given that the auditor was able from an objective review of the material to doubt that the competition was genuine—

Mr Pouliot: Yes or no; it is good for the soul.

Mr Curling: It is all right.

The Chair: Please ignore the interjections and continue with your reply.

Mr Church: All right. Given that the auditor was able, upon reviewing the records, to feel that there was something close to predetermined results, obviously I would have done something different. The documentation should have been more complete and it should have been clearer to the auditor in reviewing the records that in fact those other three candidates were serious candidates who were strongly in the competition. In my review of the auditor's report, the only real exception I take to the auditor's report is that conclusion. I think he was wrong and I think if he managed to reach those conclusions, then something was wrong with our documentation.

Mr Curling: I know that sometimes politicians behave as though they are clairvoyant actually, but most of the time it is in retrospect that we deal with things when we have investigations. Mr Church, who is more familiar with the Ministry of Housing, and Mr Temple, as you know, the Ministry of Housing was a splitoff from the Ministry of Municipal Affairs and Housing. When that came about, there were many, many jobs that had to be filled, assistant deputy ministers, etc.

Maybe I should put the question this way: Were there many jobs to be filled when that split came that have gone in that kind of direction as this one of Mr Chiesa's appointment came about?

Mr Church: Consulting jobs?

Mr Curling: Yes.

Mr Church: There were certainly some consulting appointments during that era dealing with the split. Arnie, do you have a response?

Mr Temple: This is more on the Municipal Affairs side. Some special studies have been done through consultants. In the Ministry of Housing, this was certainly the one that I remember the most, probably because of the interest that has been taken in it, but as a result of the split the executive positions were all filled except one, I believe, and that was the one that I eventually won the competition for. I think those were the only ones.

Mr Curling: While the ministry was searching for and the government itself was searching for solutions to the housing crisis that we have—and I am sure that my colleagues may at times feel that we do have a solution but we have not applied it—new positions were created. One that came to mind, which was applauded and then became controversial afterwards, was Mr Sewell's position. Do you see a comparison in that approach—I do not know if I am taxing your mind by putting you back to that time—that was used for Mr Sewell? Let me elaborate a bit, because we are talking about targeting and about getting some of the best and the brightest talent into the civil service.

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I have heard the Premier (Mr Peterson) talk about that many times and I have seen him demonstrate that ability by getting deputy ministers from the private sector, people who normally would not consider the public sector. Sometimes salaries of different levels are considered, because otherwise they would not come, and conditions are arranged because we have some of

the brightest minds out there that would serve within the civil service.

The analogy comes about, as Mr Pouliot was saying: "Why wouldn't you do this? Why did you target that area?" I can see a good to that and a bad to that. I know you would not fish in a bathtub for fish just because there is water there. You would go somewhere else where you would know you could get your catch. Was that the approach you were using when you said you were going to the sectors where you feel the talent would be, or did you have one person in mind?

Mr Church: I am not familiar with the appointment of Mr Sewell. Being an order-in-council appointment, the analogy is perhaps not complete, but to answer the last part of the question, I did not have one person in mind. I knew I had one candidate who was qualified and conceivably willing. I think anybody who goes into a competition without knowing there is somebody who can do the job is conceivably wasting his time. But certainly I did not have one person in mind. I was quite delighted to have these other qualified candidates come forward and hoped they would continue on.

Mr Pouliot: On a point of order or clarification, Mr Chairman: Quoting verbatim: "I did not have anyone in mind. I knew that there was one candidate"—logical conclusion—"but I wrote a letter on his behalf. So yes, I had someone in mind."

The Chair: That was not a point of order. Carry on, Mr Curling.

Mr Curling: I was not at all being accusing about having anybody in mind. I am just saying that there are areas in which we go to get the talent itself. As I said when I mentioned Mr Sewell, I was not putting you on the spot. Everybody knows of his ability. I was making that remark because I know that when I was the Minister of Housing, at that time we were looking, as I said, for the solution to some of the problems, maybe some of the social housing problems that we have. It was because of Mr Sewell's expertise that his name came about to make a permanent chairman there. I am just saying that was a different approach, using then what we call open competition or whatever process we used. We looked in those areas, at people who had expertise in that area.

Mr Church: I think perhaps the best analogy that I can come up with is that if you are going to look for a brain surgeon, you go to a hospital that has a brain surgery department. If you are going to look for a developer, you go to organizations

that have development expertise. To that extent, I understand your analogy.

Mr Curling: After you made that search and identified a couple of individuals, would you then tell them, would it be your approach to say, "You could be considered, because there are others who do have similar qualifications." Was that told to the other candidates?

Mr Church: Yes, it was told to them, but I have to concede that the major part of the exercise was a recruitment exercise to try to attract them to the point where they would come to the formal second interview. With Mr Harris's parallel to the carpet manufacturers, these are not people in the marketplace trying to sell their services. These are people who are doing very nicely, thank you, selling their services on their own behalf. It does take a certain measure of persuasion to persuade them that it is conceivable that they might wish to do this for home and country as opposed to for themselves.

These interviews tended to be a little different, one from the other, because they had different requirements in terms of persuading them that they might be interested. We came very close in a couple of instances to persuading them that they might want to do this.

Mr Curling: Let me be direct, then. When you approached Mr Chiesa and spoke about the job, and you say that he seemed to have the kind of qualifications that would assist us in bringing about some solutions to our housing problem, did you then say to him that there were other candidates who had similar qualifications—

Mr Church: Yes.

Mr Curling: —that he could be considered, that he was not the one?

Mr Church: Yes, as a matter of principle, when you are trying to persuade someone that he should enter a competition or are trying to persuade someone to enter the public service, I think you should be very careful in making it clear that this is for consideration, not for employment. I did not alert Mr Chiesa to the fact that I thought he was someone we could get in. I alerted him to the fact that I was still very interested in seeing if he would be interested in coming forward and putting his name forward.

Mr Curling: I will pass.

The Chair: That is what politically we call, "No acclamations guaranteed."

At this point, I would like to ask the committee's guidance, because we may have a vote at five to. I have Ms Poole, Mr Leon and, Mr Cousins asked to be put back on the list and Miss

Roberts again. There are a number of solutions open to the committee. The committee could simply ask that the subcommittee look into the possibility of recalling the witnesses at an appropriate date; the committee could decide that as of five to, no further inquiry is necessary; the committee could ask that we change our present schedule by rescheduling for all or part of next week and readapt our schedule accordingly by one week. Do I have any sense as to whether we need more time on this? Ms Poole, since you are directly affected, I will recognize you first.

Ms Poole: I had four questions. Three of them have already been asked, so I am willing to keep my last question very brief.

I spoke to Mr Ballinger, who was a representative on the steering committee, just prior to coming into the meeting today and it was my understanding that the steering committee had agreed upon the fact that there would be one day allocated for the interviewing of these witnesses. I think the opposition has had a considerable period of time, an hour and a half, in which to conduct its questioning. They have been very good questions, but my feeling is that if Mr Leone and myself, who are the only two members left on the committee who have not questioned to date, feel that our questions can be asked in a very expeditious manner, I see no reason why we should go further than today's date.

The Chair: The clerk has just informed me that there will be a vote at five to.

The recommendation of a steering committee, of course, is always open to change based on circumstance, and indeed to negotiation by the whole committee. That is understood. Are there any other comments on this matter?

Miss Martel: I do not know why you do not have my name on the list. I signalled the clerk and I thought she had hit you and let you know that I wanted the nod.

The Chair: I thought that you were signalling for a supplementary and that you withdrew your signal or withdrew your supplementary.

Miss Martel: No, that is not the case. I appreciate that we have had a great deal of time on this side for questioning, but maybe I can go back to the government's desire for full and open hearings on Bill 208 and suggest that we apply the same kind of policy in here. I would like to get on. I have a couple of questions I would like to ask. I do not know how long they will take, but they are not going to be dealt with here, so I

would move that we actually have the representatives back.

The Chair: Would an extra hour next week satisfy the committee? If we agree that we cut off after an hour next week, would that be a possible compromise?

Miss Roberts: I think we should complete it today if we can. If we cannot sit and complete it today, I would hate to bring four of the senior bureaucrats back here for this. I think we should complete it as quickly as we possibly can. I am more than prepared to say from our side that we have Shelley Martel and not come back.

1150

Mr Cousens: Could we come back after the vote?

The Chair: That was the suggestion I was going to make, Mr Cousens. Would it be agreeable to the committee to come back immediately after the vote and sit until such time—I assume people will be reasonable in their questioning—as every member has had an opportunity to ask questions?

Miss Roberts: Until one o'clock.

The Chair: With a deadline of one o'clock maximum. Is that agreed to? Miss Martel?

Miss Martel: Since I am one of those people who is asking for an extended time, the problem I have is that at 12 noon I have an executive meeting.

The Chair: Can you not take 15 minutes out of that executive meeting to be here?

Miss Martel: I do not know if it is going to take me that long or longer. That is the only concern I have.

Mr Curling: I am concerned about this approach, if I am not out of order in speaking on this aspect. I saw the official opposition conducting their interviews and questioning and they took a considerable time. I think it could have been organized so that they could all have asked their questions at that time. Now they ask that we sit again for an indefinite time, and then we hear, "Okay, we agreed for one hour more," and then we hear that we have another appointment—Miss Martel says she has another appointment she has to go to—and then we have to keep stretching it out. I think that is considerable on our part.

The Chair: Mr Curling, being new to public accounts, you are probably not aware that there is no official opposition or government on public accounts and that is why I recognize people in the order in which they stick up their hands. Often in this committee, I will have three or four Liberal

members doing the lead-off questions and the opposition is at the tail end of the session. The members who have been on the committee for some time recognize that.

Mr Curling: There was ample time.

The Chair: I do not think there is anything inappropriate in the way it was handled.

Ms Poole: In view of Miss Martel's difficulty, I would certainly be willing to let her ask her questions before me. I assume Mr Leone would give that same courtesy.

The Chair: Would that satisfy you?

Interjection: Sure it would.

Ms Poole: Would that solve part of the problem?

The Chair: Can you?

Miss Martel: I can start. I recognize that we have a vote at 12—

Ms Poole: And come back when we are finished.

Miss Martel: —and I cannot come back because I have a previous commitment that I will not cancel. I am sorry, Mr Curling. However, I too have commitments outside this committee. I will go for as long as I can.

The Chair: Okay, Miss Martel, and then it is understood that Mr Curling will have another opportunity to continue his questioning after the vote.

Miss Martel: I would like to start by looking at the position Mr Chiesa now has and deal a little bit with how long he might be in that position. In reading through the auditor's report, I note that under the circumstances that are in place now, he has a two-year term that is guaranteed. There is an allowance made for another year to be applied to that two-year term if, I take it, the Ministry of Housing approaches Management Board for that. I do not know the exact nature of that contract deal, etc, but I take it we are looking at a maximum of three years.

The total cost of that position or appointment is not to exceed \$350,000. I would like to ask the ministry, first of all, is there any way in your discussions with Management Board that there is a proviso that this term can be lengthened beyond the three-year maximum that we now see within the auditor's report?

Mr Thompson: I think it is fair to say that the only way one could extend such a contract would be to go back and start again with Management Board, to make an approach of that sort, but of course the expectation, especially when a contract has two years and it is possible for another

year to be added to it, is that the job can be done in that time.

Management Board would be saying to us, I am sure, as it should, "You said this was something that was time-limited and it should be possible to have it done in that period of time. If it's something other than that, perhaps you should consider having a permanent job in the organization of some sort to carry out that function," that one should not just keep trailering on contracts. That would be my approach to it anyway.

Miss Martel: Let me put it this way: We have some three years. We are not quite sure what will happen at the end. We are not sure if the Ministry of Housing will have this whole project under way, on the road and in place in the next three years. I go back to a comment you made, Mr Thompson, concerning the nature of the ministry's hiring consultants; that is, the usual approach would be that if you have to hire a consultant, you would approach a set of companies the government has some knowledge about and has dealt with in the past, etc. You are looking at a contract that will fit in a particular period of time for a particular kind of job that ministry wants done.

In the case of Mr Chiesa, we have at least two years, with a maximum of three, which seems to me to be a fairly lengthy bit of time in terms of hiring a consultant to do a particular job. We also have the possibility that could continue. I put that in the context that at least for those of us over here who are not very convinced that the process was either fair or open, we have a person in that position for at least three years and possibly more.

I am wondering, given that we have some grave concerns about how fair it was, how fair it might be that he continue in that position for a longer period of time after that without our having a review of what is going on or whether, if a permanent position were to be applied, having it reopened to allow other people to apply as well.

Mr Thompson: If it became a permanent position, it would go through the kind of process we could take some time to describe to you. Senior jobs in the government that are permanent have applied to them—the job is classified and advertised, either externally or a search is applied within the government. The executive development committee, which Mr Barnes chairs, has a very well-defined and I think quite good process with all kinds of checks and balances to examine people within the service. If it is thought there are not sufficient candidates within, there is a panel

of people both within and outside the service. If your concern would be that one would simply have a person such as Mr Chiesa happily tumble from a contract into a permanent position without any process, that just simply would not be the case.

Miss Martel: That is one of my concerns. The second concern is that I think, in terms of hiring a consultant, even this particular issue is a little bit different from another ministry going out and hiring a consultant. I would find three years rather long to go out and have someone on board. For whatever job he is doing, I would find that a little bit long, and given that we are not agreeing in terms of how fair the process was, I have some real concerns about the perceptions outside as to what that means to people, because I do not think this is a similar case that we see happening ministry by ministry when ministries are hiring consultants.

Mr Thompson: Mr Temple might be the best adviser to us on this, but I think we would find a substantial number of contracts in the government that stretch out for, certainly, two years and two or three years. Back to the earlier comment, in the information systems area where it is very difficult to get people these days on any basis who are competent and keep them. Very often the government is contracting for services in that area and I suspect a lot of those contracts across the system are certainly two years long.

Mr Temple: Certainly, to my knowledge, there are a number that are of a two-year nature. It really depends on the nature of the job to be done and how long we anticipate it will take to do it. Whether it is six months, 12 months, 24 months or 36 months, it is dependent on the needs at the time. Most of them do not go beyond the 36-month period. That seems to be the threshold where it is no longer a discrete piece of work to be done.

Miss Martel: Let me ask Mr Church about this process. We have the ministry, which I think, in listening to what is going on today, has based its decision and its approval of the process on two things: (1) that the selection competition itself is acknowledged and recognized by Management Board as a legitimate process, that sometimes, although you might have a competition, you cannot have an open process because you are looking at a select target group, and (2), as you said to us or tried to say to us many times, the person needed in this instance had to have very specific skills, had to have a knowledge of the Toronto development market, etc, so you were limited in the number of people you were looking

for and the expertise level had to be very high and you would not find that across the board.

Suppose you were Joe Q. Public out there and had some expertise in this field. You might not have a knowledge of the Toronto development market in particular, but it is recognized that there is land across Ontario, so you would not be dealing only with Metro. I am just wondering how fair you would think the process was. First, you have no knowledge that it is going on because the ministry is going around selecting people internally. Second, you have been told that the ministry is looking for someone with some Toronto experience, in spite of the fact he would be dealing with land across Ontario. How fair a process do you think that is for Joe Q. Public?

Mr Church: In fact, for the job involved, the vast majority of the high-judgement exercise is in the superheated market in this area. There is no question in our minds that the most difficult place in which to achieve these objectives is the greater Toronto area.

Second, the process that we used did not limit the search unduly by going to the three associations, in which I think 100 per cent of the development industry is represented; at least it was in 1986. The three presidents of those organizations assisted me in looking over a very large number of names, so anyone who was in the housing development business was considered in this process or was available to be considered in this process. I do not see it as having been unfair in that sense.

Miss Martel: But you would not have been speaking directly to those people.

Mr Church: No, that is correct. It would have been physically impossible to go around and talk to all of the potential developers who might be persuaded to leave their companies.

Miss Martel: Second, the people that you talked to within the industry, were they under any obligation to make it known to all those people that in fact this was going on?

Mr Church: No. In fact, their view was that we were going to have a devil of a time, that we would not be able to attract anybody because there was such a large loss of income associated with taking the position. This is not a position that you would expect these people to compete for. These are positions that you are going to have to try to attract people to compete for.

Miss Martel: But I am concerned by the fact that you as a group of people talked to another small group of people, looked over a large group

of names, but none of those names you were looking at, in any event, were people who would have known it was going on.

Mr Church: That is correct.

Miss Martel: They could have been told about it. They might have expressed an interest in spite of the monetary loss, because they may have been looking to get out anyway and do something else. In spite of speaking to three industries that represent 100 per cent of the developers, you were not talking to those people, and those people would have had no direct knowledge that this was going on.

Mr Church: It is a selection-competitive process. It is a process that is recognized and approved by Management Board. It is not the same as a universal appeal and I think in this instance was more effective. But I certainly take your point that it would have been more open, if that is one of the objectives.

Mr Thompson: May I add to that a small point? In the competitive processes that we have talked about at this meeting that are described as open, frequently there is an area of search defined. I am quite familiar, in some of my ministry experience, where you simply, for reasons of cost, in a ministry like the Ministry of Correctional Services, do not look to the whole province when you are competing for a one-level-up promotion, but rather you set out some area in the province and search that area for individuals. You simply do not want to have to afford to bring people from the whole of the province.

The Chair: I do not mean to interrupt you, but members have about two and a half minutes to make the bell. We will reconvene immediately after, and I would ask all members to come directly from the House back down here so that we can continue.

The committee recessed at 1204.

1215

Mr Cousens: Mr Chairman, I am faced with a problem as well. I am speaking to Peel region council at 1:30.

The Chair: You had indicated you have just one question left. So while we are waiting for Miss Martel to arrive from the vote to finish her questioning, you have one question, Ms Poole has one question and Mr Leone has not come back, so I guess we will finish fairly quickly. Would you like to ask your question?

Mr Cousens: Future conflict of interest of senior civil servants was not covered by the

conflict-of-interest legislation of the Legislature. It affects MPPs in a big way, but there is not really a lot of protection as it pertains to any of you who are in front of us as guests in our committee this morning. And yet what we see happening is that the person who received this job will be able to go back into industry with tremendous advantages to him, and I would like to ask the question as to the protection of the province's best interests. The information that he will have gained could be used for his own self-purposes following his two- or three-year stint in which he now has full access to all the secret plans and plottings of the Ontario government.

Mr Davies: Perhaps I could take that, Mr Cousens. In the contract that I concluded with Mr Chiesa, we introduced clauses that are comparable and parallel in many respects, the same sorts of provisions that we have in our own oaths of secrecy and other provisions of that nature governing the confidentiality provisions applying to permanent civil servants. If I could, I would just read section 6 of that agreement, which states, "Notwithstanding any other provision of this agreement, both during the term of this agreement and at all times after the expiry of the term of this agreement, the consultant shall keep secret and not disclose to any other person or entity any unpublished information which he has acquired as a result of or in any way connected with this agreement." So that is a legally binding clause in the contract.

Ms Poole: The question I have left relates to the interviews that you conducted. You made a statement—and please correct me if I misquote you in any way—that the reason you did not have the other three people interviewed by a full panel was that they either could not or would not agree to the two conditions to end all development activities in Ontario for the life of the contract, etc, or to fully disclose all direct or indirect interests in real estate in Ontario.

The first part of the question: I gather there was no necessity for persons to divest themselves of their property interests. They had to end all work connections, but they did not actually have to divest their property interests.

Mr Church: I believe in the contract there were equity interest provisions and continuing interest provisions. I should clarify, though. I think I should turn that part of your question over to Bryan, but for the first part of your question, the reasons for the three qualified people not proceeding with the competition were somewhat

different, going back to my candidate 1, candidate 2 and candidate 3.

With candidate 1, I think there were several reasons, but the predominant reason was that he did not want to work within the public service. He had a more—I was going to say, elevated view of the role he would like to play, but in terms of public accountability, he was not prepared to accept an accountability framework that I felt, and I think anybody would feel, is necessary.

In terms of candidate 2, he was unwilling to divest of some ongoing obligations he had and, in addition to that, he did not feel his health and family circumstances were such that he would be able to participate full-time, and we certainly needed a full-time person.

Candidate 3, I think, was a combination of not being terribly keen to come into the public service, not being terribly keen to take a very substantial reduction in pay and the latter problem you mentioned. So I do not think the disclosure propositions were the only, or even necessarily the major, factor. They were present in all three cases as issues. These people were all presidents and vice-presidents of major development firms with large equity interest, but I think the other factors were also present. But in terms of the issue of carrying interests in equity, I believe, Bryan, you had some activity in that area.

1220

Mr Davies: Again, I just cite for the committee the actual agreement. The contract signed with Mr Chiesa has a rather extensive clause and I think that Mr Thompson already quoted in part from it earlier today. But, essentially, it has the same sort of conflict-of-interest requirements that we demand of our permanent civil servants: that they have to disclose to their deputy any matter that might be real or perceived to be a conflict of interest, and abide by the determination of the deputy as to whether or not they should pursue transactions or divest of ownership of whatever the question in mind is.

Ms Poole: As politicians, we can certainly agree that appearance is equally as important as reality.

Mr Thompson: I was just going to say, Mr Chairman, in terms of such contracts, I think if members are interested in the arcane business of contract making, this is probably one of the best ones I have seen around the government in terms of covering all of the aspects of contractual relationships that need to be covered; so perhaps we are getting better at that.

Ms Poole: My final part of that question relating to the interviews: Mr Church, after you completed the interviews and determined that the three other candidates were not suitable for one reason or another, did you prepare either a written or a verbal report, and if so, to whom was that report given?

Mr Church: As deputy minister, it was given to me, but yes, I did.

Ms Poole: So the minister did not have access to the information at this stage?

Mr Church: I suspect that if the minister had asked, she could have, but the fact of the matter is that the process of administration is fairly keenly divided between the public service and ministers. I think deputy ministers are, generally speaking, fairly consistent in wanting to ensure that the separation between political direction and implementation is kept pretty complete. In this case, it was kept entirely separate.

Ms Poole: A really final question: How did you communicate the decision to the three applicants? Was it in writing or was it merely that during the interview process, they said that they were not willing to consider the job and therefore no further action was required?

Mr Church: I think the latter is closer to the point. In fact, in one instance, the gentleman made it so clear at the beginning, with a certain amount of negative comments about the bureaucracy, that we had an enjoyable lunch but did not get much further. He was absolutely clear. I think he had trouble believing I was really serious.

The Chair: Thank you, Ms Poole. I have two questions: one to Mr Church and then one to Mr Thompson. My first question is, by way of summary, the thrust of your argument is that the reason why you only consulted three what I would call "developers' firms" was that this was a highly specialized position with very specific requirements and that those three developers would be the ones who would understand the market best and therefore be able to get you a suitable applicant, if there was one out there to find.

Mr Church: Actually, I consulted those individuals not as developers—in fact, one of them is not—but as presidents or vice-presidents or leaders in the industrial associations to which all of the developers belong. In addition to that, I have personally a very extensive knowledge of the industry and had a reasonable sense of who might be available.

The Chair: I am sure you have a much more extensive knowledge of the industry than I do, and therefore, perhaps you will accept this question as one of trying to find out more information, rather than a trick question. My understanding is that there are, from my knowledge of the industry—and being Housing critic for a couple of years, I gained some knowledge—planning and architectural firms out there that are highly specialized in this; there are people who work for municipal governments who are highly specialized in this field. Why would you go to only three firms and why would you not go to some of these very highly specialized consulting firms to find out if they had suitable applicants?

Mr Church: I think that is addressed in the 3 July memo that I mentioned earlier. We felt there were three reasons why retaining a firm of consultants such as you are suggesting was not appropriate in this instance. First, there were the conflict-of-interest concerns that anyone carrying on ongoing business in the field while representing the ministry presented a difficulty; and there was the inability of being able to extract the principals. We were only interested in the principals at this point. From that kind of proposition it was very difficult.

The second was the direct management component in the consulting task. The individual involved would be involved in managing some programs directly, and that is not the kind of thing that consultants, generally speaking, are prepared or willing to do; nor is the ministry generally prepared or willing to see its program managed essentially outside the framework of the ministry.

The third and to some degree the major one is that, although there are many fine architects and planning consultants, there are virtually no firms that actually specialize in concluding the complex land deals themselves. As you no doubt know, the nature of the land development industry is such that while many very skilled people input into it, the principals themselves are the people who make the final determinations and representations and put together the final packages. It was that skill, which I consider to be exceedingly rare, in the sense that there are probably 200 of them in this market area, that we were very determined to put our hands on and still remain quite pleased that we have put our hands on, I believe.

The Chair: I have trouble with the first part of your answer, but the second part does hold together, so I will leave that. My question to the

present deputy minister is simply this: You mentioned earlier that many consultants are hired from time to time and that it is not normal to advertise. That is true not only of this government, but of the federal government and of other provinces. Is it not also true, though, when consultants are hired, that there is at least a written job description, that that is circulated and that this was not done in this case? So this would be a deviation from the normal way in which your ministry operates. Would that be a correct statement?

Mr Thompson: Back to the information systems type of contract again, it would be normal to provide people with a description of the task to be performed and then request a proposal to say: "Can you do this? How would you do it? What kinds of people would you put on it? How would you conduct yourselves?" As you know, I am sure, oftentimes firms will contract with other firms, and one wants to know all that in advance.

The Chair: Is it safe to say that, in hindsight now—and I recognize that you personally have not had any dealings with this particular matter—and as a result of the standing committee on public accounts meeting of this day, that in future, under your direction as deputy minister, we will not likely experience the process that we have been investigating this morning?

Mr Thompson: I think I would go back to Mr Church's earlier comments. I am satisfied, and obviously so is he, that the process was a legitimate process. I am equally satisfied, and I think he said it earlier, that if the process is not recorded in such a way that the Provincial Auditor or anyone else for that matter can look at it and be assured that it is okay, then it is not adequate, so we will make tracks to fix that so that we do not have that kind of potential for concern in the future.

The Chair: I guess the way I would summarize Mr Church's testimony today, if I might, in layman's language, is that while what was done was not improper, the process was not exactly the way in which it should be done. That is what he said.

Mr Thompson: Well, I guess perhaps he should say it again, but I believe his contention was that the process was adequate and the description of it, I mean, the evidence that would describe the process, was not sufficiently well recorded so that Mr Archer and his staff could come in and say, "Yes, that's all right."

The Chair: I think you have just said what I have said. Mr Archer, are there any further comments before we adjourn?

Mr Archer: I suppose I could just sum up. It is very much the statement I made at the beginning of the exercise, that the competitive selection procedure that was selected was certainly within the Management Board guidelines and directives. It was not what is generally considered the most desirable approach, but it certainly was acceptable. There is no question that Management Board was kept informed and fully advised of the elements of the process that was selected.

It was the conducting of the selective procedure that was of concern to us, particularly—and you have to keep that in mind—given that we are dealing with a public sector assignment here. The process was very informal and was not applied consistently. There is very little documentation to describe the outcomes of the various interviews, for example. Above all, in our minds, it failed to demonstrate—and the key point here is the word “demonstrate”—that fairness and equity were being achieved.

I believe the ministry essentially will agree with some of those points, certainly on the formal aspects and the documentation aspects. But overall, and I guess this is the key, we were not convinced that the competitive process had been approached with an open mind. We feel that the

decision to hire Mr Chiesa was made very early, and effectively that decision remained unchanged throughout the entire process.

We believe, as I said at the outset, that any impartial observer would come to that same conclusion. Having said that, we are aware and have disclosed in our report that the ministry feels very strongly to the contrary. It does not have that view whatsoever. I think all we can do in those circumstances as auditors is to agree to disagree.

The Chair: I want to thank our three deputy ministers for appearing, as well as Mr Temple. The process we have used today is a process that I think is shown to be highly effective and that is used by the Australian Parliament of calling deputy ministers and public servants to deal with their responsibilities at the time in which a particular action has happened. I think we have demonstrated today the usefulness of our calling former deputy ministers from particular posts—they happen to occupy different positions now—to discuss what happened under their administration.

We appreciate your appearing and I will not say we hope to see you again, but we hope not to see you again on a matter like this.

The committee adjourned at 1234.

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Adams, Peter (Peterborough L)

Ballinger, William G. (Durham-York L)

Charlton, Brian A. (Hamilton Mountain NDP)

Cordiano, Joseph (Lawrence L)

Cousens, W. Donald (Markham PC)

Curling, Alvin (Scarborough North L)

Leone, Laureano (Downsview L)

Martel, Shelley (Sudbury East NDP)

Poole, Dianne (Eglinton L)

Villeneuve, Noble (Stormont, Dundas and Glengarry PC)

Substitutions:

Harris, Michael D. (Nipissing PC) for Mr Villeneuve

Lipsett, Ron (Grey L) for Mr Cordiano

Roberts, Marietta L. D. (Elgin L) for Mr Ballinger

Also taking part:

Pouliot, Gilles (Lake Nipigon NDP)

Clerk: Manikel, Tannis

Staff:

McLellan, Ray, Research Officer, Legislative Research Service

Witnesses:

From the Office of the Provincial Auditor:

Archer, Douglas F., Provincial Auditor

Mishchenko, N. J., Director, Special Assignments Branch

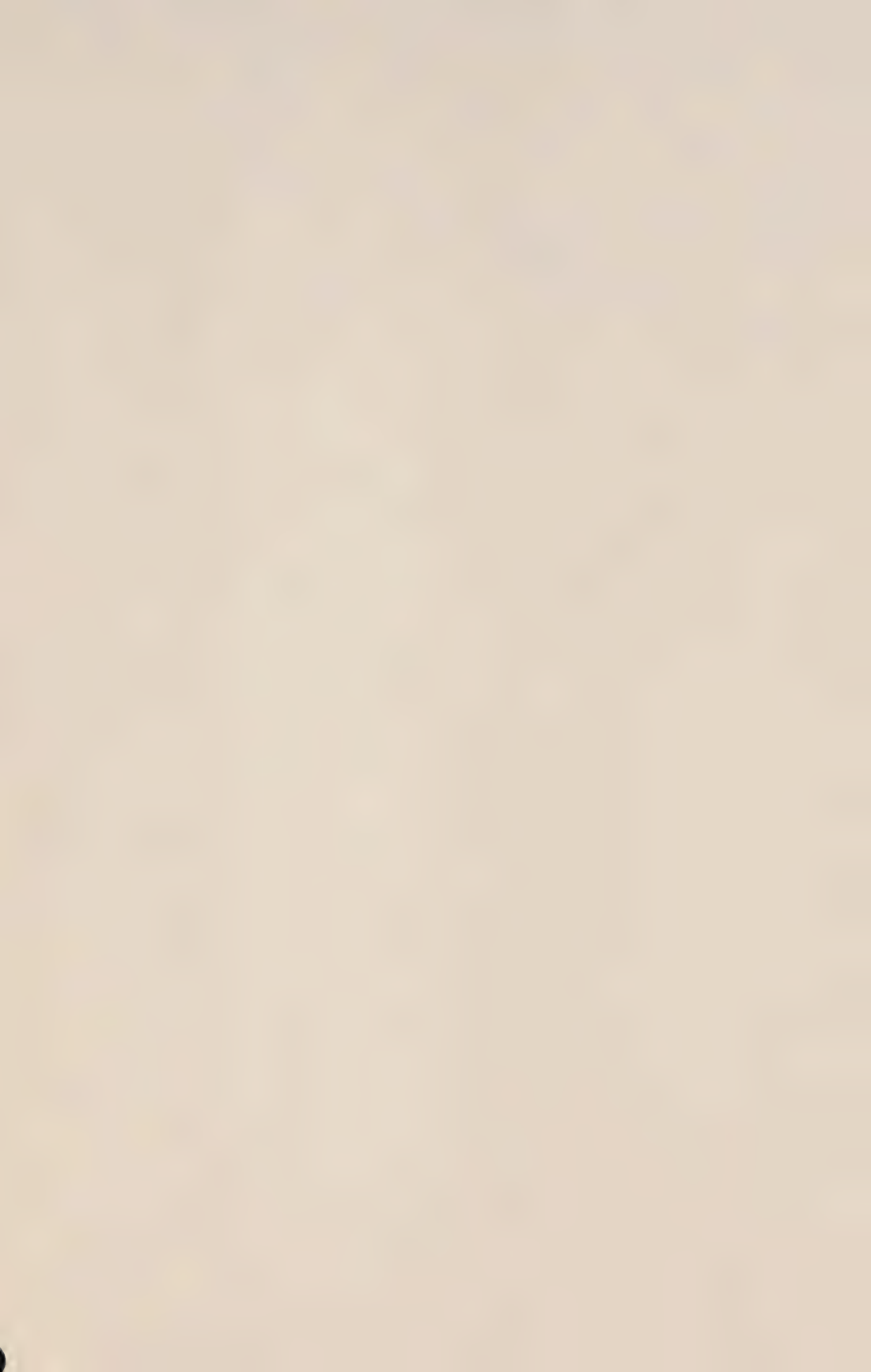
From the Ministry of Housing:

Thompson, Glenn R., Deputy Minister

Church, Gardner, Former Deputy Minister; Deputy Minister, Office for the Greater Toronto Area,
Ministry of Municipal Affairs

Davies, Bryan, Former Deputy Minister; Deputy Treasurer and Deputy Minister of Economics,
Ministry of Treasury and Economics

Temple, J. Arnie, General Manager, Corporate Resources Management





No. P-2

Hansard

Official Report of Debates

Legislative Assembly of Ontario

Standing Committee on Public Accounts
Organization

Second Session, 34th Parliament
Thursday 9 November 1989



Speaker: Honourable Hugh A. Edighoffer
Clerk of the House: Claude L. DesRosiers

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 9 November 1989

The committee met at 1016 in room 2.

ORGANIZATION

The Chair: I call the committee to order. Honourable members, it is my duty to call upon you to elect a vice-chairman.

Mr Cousens: I take great pleasure in presenting the name of a person for this office who is very capable, who has a great empathy for all issues and all people, who would show the kind of even, fair judgement that is essential to the person in charge of vice-chair. That would be the member for Lake Nipigon (Mr Pouliot), who is just an outstanding Canadian. This could well be an opportunity for us to see him action in the chair, so that he might carry on in the tradition that was once held by the previous member for Lake Nipigon as Speaker of the Legislature.

Mr Grandmaitre: We do not have a better candidate.

Mr Cousens: I would therefore move that Mr Pouliot be so nominated.

The Chair: I thank you, Mr Cousens, for your nomination and for your nomination speech. Are there any further nominations?

Mr Adams: Même si ce n'est pas nécessaire, je voudrais aussi appuyer le nom de Gilles Pouliot pour le poste de vice-président du Comité permanent des comptes publics.

Mlle Roberts: Moi aussi.

The Chair: Thank you, Mr Adams. Are there any further nominations? There being no further nominations, I declare the nominations are closed. Mr Pouliot, will you accept the nomination?

Mr Pouliot: With a few words. I still blush at those things. Those are among the nicest things, compliments from colleagues, that happen to me. I know enough at my age that during bad moments—and there are many, there are legion—I do not wish a person like myself on anyone. The position of vice-chair will be a constant reminder that one need not be sedated, but that you are here to listen as well as to participate. I have had a great deal of pleasure and some enjoyable moments with colleagues. It gets people very close. To Mr Adams and Mr Cousens, your words are words of praise and very much appreciated. I would be honoured.

I understand also that in the not-too-distant future there may be a small stipend, an incentive associated. As you all know, keep in mind the good words that there will be reciprocity and that I reward my friends.

Mlle Roberts: Je me demande si le vice-président est dreaming.

The Chair: I am sure that the auditor will ignore some of our remarks and not do an audit on our capacity to be bilingual. But I appreciate the kind sentiments toward my colleague and now declare Mr Pouliot elected vice-chair of the public accounts committee.

Mr Cousens: I would like to give notice of motion.

Mr Ballinger: Why did I think this was going to come today? Why did I suspect we were going to have this on the table, Don?

Mr Cousens: I just do not know. You are so intuitive. But just so that I get in on the record—

Mr Ballinger: I have not learned anything in the two years I have been here. Let me tell what I have learned in three words or less. Vous êtes un—sorry, I forget the word.

The Chair: Mr Cousens, would you give your notice of motion so that we can get with the other business, please.

Mr Cousens: Yes, Mr Chairman.

The Chair: Mr Cousens moves that the Provincial Auditor immediately conduct an audit of the process used by the Ministry of Industry, Trade and Technology for the production of the book and video entitled Ontario—Share the Vision; and that the audit terms of reference should specifically address, but not be limited to, the amount paid for these items, whether the price for these items is competitive with normal market rates and whether the purchase of these items is in line with normal ministry practices for the purchase of such services.

Mr Cousens, as is the tradition in this committee, you have a right, if you wish, at this time to address the committee. No one else will speak on the motion at this point in time. It will not be debated now but rather at a future meeting. So if you wish a couple of minutes, I would be happy to provide you with time to address the

members so that they can consider your arguments.

Mr Cousens: I will defer until we have the full debate at a future time.

The Chair: Thank you. I appreciate that. If it is the wish of the committee, perhaps the chairman can get together with Mr Cousens and the subcommittee and come to a time when it would be mutually agreeable to have this debated. Normally it is debated at the next meeting of the committee, but on occasion in this committee we have decided, for a variety of reasons, to debate motions at other times.

Mr Ballinger: First of all, Mr Cousens will want to know whether room 151 is available or not. It is crucial to the debate whether or not televisions are—

Mr Cousens: If in fact the committee would like to, if there was unanimous support on it now, it might well just pass quickly because knowing our honourable friends who used to be the opposition and who usually oppose everything that we are trying to do, they might be willing to go along with it today without further debate. The motion is self-explanatory.

Mr Ballinger: We will take it as notice, Mr Chairman, in accordance with tradition.

The Chair: It does require unanimous consent to be debated and we do not seem to have that.

Mr Cousens: I knew that. I just did not know how the outspoken—

The Chair: I would like to point out to members that, as frequently happens in our lives with different events happening in the Legislature, we have had to revise our schedule. As you know, a motion was passed in the House that the House not sit on one of the days on which we had scheduled meetings of this committee, and therefore we have had to revise our schedule.

I assume that since we have not in any way changed the order in which the committee had agreed, this revised schedule will be acceptable. The one change which was necessary, for reasons that are not this committee's reasons, was the change in the review of the draft recommendations regarding SkyDome which will be dealt with on 14 December.

Mr Cousens: May I ask one question? Is there going to be a release in the near future by the auditor on the report that is being made on Ontario Place? Can we expect that in the near future?

Mr Archer: We are hoping so. We are right at this moment in the course of trying to clear it with

officials at Ontario Place. We have run into problems in being able to get these people to sit down with us. Some of them have been on vacation and that sort of thing. We are hoping that we will be able to table it next week.

Mr Cousens: That is good.

Mr Pouliot: On your briefing, if I may, Mr Chairman, in regard to your possible agenda for the fall session on 14 December on SkyDome: Since they seem to be making a great deal of money, it tends to lose its significance. I would certainly not be in a hurry if you have other pressing items. We could be flexible on the SkyDome item of 14 December.

Mr Ballinger: Can you imagine when he gets to be vice-chair again?

The Chair: No doubt you may want to bring that point up to the subcommittee, since you are a member of that steering committee. So can the revised schedule be accepted pending further changes by the House?

Mr Ballinger: My only hope is that when the auditor tables with you the review on Ontario Place, you bring it to the committee as quickly as possible before somebody has a chance to leak it.

The Chair: It is my intention not to release it to anybody until we meet—

Mr Ballinger: Good.

The Chair: —because, unfortunately, as you well know, I was somewhat upset—I guess that would be a mild term—when I read the report in the newspaper.

Mr Ballinger: Not nearly as upset as I was when the minister found out it was in the paper and I did not even give him a copy of it.

Mr Archer: Just as a point of clarification on this particular report, we have a dual request to do the same thing. One came from the ministry, and then subsequently, we were asked by the public accounts committee to do the same job. It was agreed by all the members that doing the job the ministry asked would, in effect, fulfil the desires of the committee. So we will be tabling the report simultaneously with the minister and with the committee.

Mr Ballinger: Let me respond to that, because I think this is really important to members of the committee. When that last line on Chiesa was leaked, Mr Philip phoned me in the morning simultaneously with the minister's office phoning, wanting a copy of the report, because the press were calling them. Tannis Manikel had called me as well, as the clerk of the committee, because they were asking questions the chairman

could not answer, because he did not have a copy of the report.

I think, in all fairness, if you are tabling with the ministry, you should be tabling with this committee at the same time, so that we all have access to this and we do not have to rely on the newspaper to find information. In all fairness to every member of this committee, if you table with the ministry first and we do not have a meeting for a week after, as an example, it will all be in the press, it will all be said and done before any of us, as members of this committee, have an opportunity to review it ourselves, and I do not think that is fair.

The Chair: I think this is a matter which perhaps the subcommittee can discuss. I would appreciate it, since we have all members here, if we could set a date for the subcommittee to meet. Perhaps you will want some time and we can do this later this morning.

One possibility that I will be recommending to the subcommittee, with the auditor's agreement, is that perhaps he table the report on Ontario Place on a Thursday. The minister will get it at nine o'clock that morning and we will get it at 10 o'clock that morning. Then there are no surprises and it will go to me at the same time as it will go to members of the committee. Everyone gets it at the same time.

Mr Ballinger: Good. I was in my riding the day that came out in the paper.

The Chair: That way then there are no problems, in that people who are members of the committee, who may have some comments, are suddenly in their ridings and cannot comment or do not have the report or are getting calls from reporters who have read the report and do not have it in front of them.

We can arrange then that it be tabled on a Thursday at nine o'clock with the minister and 10 o'clock with the clerk of the committee, or at nine o'clock with the clerk of the committee, and she in turn gives it to us at 10 o'clock sharp.

Mr Cousens: Unless you wanted to give it to Mr Ballinger even before the rest of the committee, because it probably takes him longer to read, since he has to use his finger across every word.

Mr Ballinger: I am going to enjoy the debate with you on the video next week or whenever it is, let me tell you.

The Chair: Some of us have a long memory and it is nice to have people refresh our memory with old jokes and old lines.

There being no further public business, we will now go in camera to deal with the Ministry of Health report and the recommendations on the Dino Chiesa matter.

The committee continued in camera at 1024.

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Vice-Chair: Pouliot, Gilles (Lake Nipigon NDP)

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Roberts, Marietta L. D. (Elgin L) for Ms Poole

Clerk: Manikel, Tannis

Staff:

McLellan, Ray, Research Officer, Legislative Research Service

Witness:

From the Office of the Provincial Auditor:

Archer, Douglas F., Provincial Auditor



No. P-3

Hansard

Official Report of Debates

Legislative Assembly of Ontario

Standing Committee on Public Accounts
Organization



Second Session, 34th Parliament
Thursday 23 November 1989

Speaker: Honourable Hugh A. Edighoffer
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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 23 November 1989

The committee met at 1012 in committee room 2.

ORGANIZATION

The Chair: I would like to call the committee to order. As the first item of business, I would like all of us to welcome some visitors in our gallery from the Office of the Auditor General of Victoria, Australia. You are welcome and we hope you will—

Mr Ballinger: I hope you have a better auditor than we have. Oh, I am sorry; you are not Kenneth Dye, are you? I apologize.

The Chair: There is, I believe, one of our guests who has a video machine and would like to take pictures of our deliberations. I assume that no members of the committee have any objections to that.

Mr Ballinger: Just a second. Before we do that, Mr Chairman, we must do something. If you are going to do that with Don Cousens, I want him to hold this up in front of him first and turn his face sideways so you get the side profile; it is his con number.

The Chair: We certainly are pleased that Mr Ballinger is feeling so much better than he was.

Mr Adams: He did not go to bed last night; it makes all the difference.

The Chair: The first matter then that I would like to deal with is our budget. The first item on the agenda is our budget and it is before you. Many of these items we have discussed in committee before. All that we are doing now is putting a price tag on them. Are there any questions concerning the budget?

In terms of the trip to Europe, this is the matter that had been approved by the Board of Internal Economy previously, but because the House sat at the time in which we had scheduled it, it will have to be rescheduled, but it also has to be reintroduced as a budgetary item. Would somebody care to move the acceptance of the budget?

Mrs Marland: This trip to London, Bonn, Frankfurt and Stockholm—am I the sub?

Mr Ballinger: I do not know; we will have to vote on that.

Mr Neumann: Only people who were here at the time it was voted on get to go.

The Chair: I will recognize two people from your party, and as long as you have valid credentials you will be on the plane or not on the plane.

Would somebody care to move acceptance of the budget?

Mr Ballinger: I will move it.

The Chair: Mr Ballinger moves acceptance of the budget of the standing committee on public accounts for supplementary budget 1989-90.

Motion agreed to.

PRODUCTION OF BOOK AND VIDEO

The Chair: You have seen the notice of motion by Mr Cousens and you now have the motion before you.

Mr Cousens moves that the Provincial Auditor immediately conduct an audit of the process used by the Ministry of Industry, Trade and Technology for the production of the book and video entitled Ontario—Share the Vision; and

That the audit terms of reference should specifically address, but not be limited to, the amount paid for these items, whether the price for these items is competitive with normal market rates and whether the purchase of these items is in line with normal ministry practices for the purchase of such services.

For the sake of the members of the committee, but also for the sake of our visitors, the passage or defeat of this motion in no way restricts the auditor from conducting such an investigation if he so chooses in any case. With regard to the outcome of these deliberations today, whereas a positive motion would be an instruction to the auditor, a negative motion is not an instruction not to. I am sure members understand that, but I thought that might be of interest to the auditors from Australia.

Mr Cousens: Let me begin by going back to the origin of the whole idea. Question 276 was placed in the House by Norman Sterling. I would like to read it into the record from Orders and Notices 38.

“Inquiry of the ministry—Would the Minister of Industry, Trade and Technology detail what video productions have been prepared for his ministry during the past three fiscal years,

indicating whether such productions were undertaken in-house or by nonministry personnel, the purpose of such videos produced, and at what cost."

The response came back from the ministry and indicated that there were two videos prepared. The first—I would like to just put it on the record—was: "The Economic Summit fashion show was videotaped to help promote the Ontario fashion industry at domestic and international trade shows and for the media. The video was produced in 1988-89 at a cost of \$7,000." In answer to the question, he was able to say they prepared the video and it cost \$7,000. He answered the question.

The minister goes on to answer the second part of the question. He said: "A video entitled *Share the Vision* was produced for the meeting in Davos, Switzerland. Its purpose was to present Ontario as a worldwide source of products and a stable investment environment for international business. French and English versions were used at the G-7 Economic Summit meeting in Toronto. After G-7, German, Japanese and Korean versions were produced."

Funnily enough, they did not indicate in their response how much it cost and they did not indicate whom it was produced by. Therefore, our caucus had to do a little bit of research. When we did that research, we found a number of things had happened. The Ontario-Share the Vision book cost a total of \$385,578; 12,000 copies were printed and therefore the cost per copy is \$32.15. There is a total of 32 pages, with the cost per page being slightly in excess of \$1. By comparison, printing costs for a corporation's annual report, where you would have 10,000 copies at 32 pages each, are approximately \$50,000. Because there are many people here who do not have the opportunity to see the figures in my hand, \$50,000 versus \$385,000 is quite a differential from what it would cost to do it if you really wanted to be cost-efficient in what you are up to.

Then it goes on. We found out that all other costs, including creative services, photography, etc, would be approximately \$40,000. So you are talking about a quarter of the cost if you wanted to do it efficiently. I often go back to the motto, "Run government as a business." I tell you, it is not happening here.

1020

Now we come to where my motion is coming in, all part of the same backgrounder. The *Share the Vision* video cost \$750,000. It runs a total of eight and a half minutes, at a cost of \$88,235 per

minute. By comparison, the Canadian feature film *My American Cousin* cost \$2 million, or \$20,000 a minute; *Jesus of Montreal* cost \$4.2 million, or \$42,000 per minute; I've Heard the Mermaids Singing cost \$350,000, or \$3,500 per minute. The average cost of an industrial video is \$1,000 to \$2,000 per minute, and yet we are talking about a production here in the province of Ontario that cost \$88,235 per minute, a total cost of \$750,000.

That is the beginning of my raising the question as to just how all this came about. What has happened is there is not one of us in the province who is elected from the variety of 130 ridings who does not want to see the province proclaimed abroad. We want to make sure that people know this is a great place to live, a great place to be. You can call it incredible or you can call it what you want, we have got to have promotion. In fact, I am really quite concerned, which is a totally extraneous issue, that this government is doing sweet little to promote tourism in the province of Ontario and I think we could have a lot of fun—

Mr Cordiano: That is baloney.

Mr Cousins: Well, it is not, because tourism is going down. You talk to the people in Niagara Falls and other areas and they will say, "Hey, this government isn't doing much of a job on it." But when they do spend money they sure do not know how to spend it in a responsible way. You are talking about the process by which this—

Mr Neumann: There is something wrong with your math.

Mr Cousins: You will have a chance to speak. Go ahead and raise it. That is why I have laid it all out, so my honourable friend Mr Neumann will have a chance to wear his Liberal colours. Fly them high with pride, because the rest of Ontario is looking at you right now and there is no one except for yourselves who can begin to defend the kinds of actions that you are supporting, especially if you do not come along and support this motion that allows the auditor to have an in-depth study of this and come back and say what has gone wrong. And how many other examples are there like this in the province where this Liberal government is encouraging—

People from Australia, I have to tell you, the government changed a few years—

Mr Adams: They have seen the movie; that is why they are here.

Mr Cousins: Honourable Chair, through you to the people from Australia, it did not happen like this a few years ago.

The Chair: Mr Cousens, maybe if you just cut down on the rhetoric and give us the facts the members may vote for your motion.

Mr Cousens: I think the rhetoric is an important part of this process. I thought the video would be going now and you would see a really cheap video and it would probably get as much attention as this thing, but anyway—

Mr Cordiano: They do not have cheap videos.

Mr Cousens: They do not make cheap videos in Australia. I will tell you, they do not spend \$750,000 for a video. It is high time we got this going, because we are talking about videos and the way this government is spending on them. Share the Vision—\$750,000 is what they spent on it.

Interjections.

Mr Cousens: You do not have much control over this meeting, Mr Chairman.

The Chair: Have you completed your remarks?

Mr Cousens: I am just beginning. I guess my point is that we all want to extol the virtues of our province, but we also want to do it in a responsible way. Responsibility calls upon a government to make sure that any money it is going to spend in promoting, in development, in anything it is going to do should be done in such a way that reflects that kind of balance between spending and getting value for your dollar. In order to get value for your dollar it calls for due process, so that you are not just going to slip it off to one of your Liberal friends, which may have happened—it may not have, but one never knows until we have seen what happened here—to produce the video, and also to pay them off for their contributions for—

Mr Neumann: Did you want to say that outside the House?

Mr Cousens: Look, I will say whatever I want when I want. The funny thing about you guys is that you only say what you are told to say. That is the sad part of it.

The Chair: Would you please address yourself to the motion?

Mr Cousens: I think I was, until I was so rudely interrupted by the honourable members.

Mr Ballinger: You are inciting a riot.

Mr Cousens: I guess what I am inciting is—I am trying to cite rather than to incite a situation that has taken place. I wonder how many others just like it have taken place. It was an innocent type of question that my friend Mr Sterling raised

by putting an order paper question in. He was able to get the answer on the video that cost \$7,000. They sure did not tell him how much the other video cost. That has to do with the way we get answers out of this government. We can ask all kinds of questions in question period, and it sure is not called answer period, because there are not that many answers forthcoming from this government. When we asked this question about a video production, the government was not prepared to put on a piece of paper—

Interjection.

The Chair: If you want to speak, I will put you on the list. Please stop interrupting Mr Cousens.

Mr Cordiano: If he could be less rhetorical—

The Chair: I have asked him to be less rhetorical.

Mr Cordiano: —and get on with the business of the day, because I do not like this, there is a point to be made about that.

The Chair: I have asked Mr Cousens twice to be less rhetorical, but I also ask other members to allow him to speak.

Mr Cousens: I also have the right to speak—

The Chair: Please continue.

Mr Cousens: —and I am not going to give it up. I do not intend to sit back and allow anyone to spend money without being fully accountable for it. The motion I am presenting here with the support, I am sure, of other members in this committee—and it would be nice if it were unanimous support—

Mr Cordiano: You would have unanimous support, but you are doing a good job to prevent that.

Mr Cousens: You just do not know. You have got a tabled factor so that the auditor, when he is going to start his study, is going to realize that there is a public accounts committee that is anxious to see that the government is going to be totally open in what it is doing. They were not open with the way that question was answered. Why they were not has to do with the fact that the ministry obviously was not proud of the fact that it had spent \$750,000, or it was not pleased with the process it had followed to go and spend that \$750,000, or there were a number of other factors that we do not know about. It is our responsibility in the Legislature to have that open public government that was proclaimed back in 1985 when this government took power.

In the meantime, you are starting to see a video that costs 40 times the normal rate. What was the tendering process on it? Why did it happen this

way? We did not get an answer when we asked the question on the order paper. When the question was asked in the Legislature by my leader, Andrew Brandt, he did not receive much of an answer from the Premier (Mr Peterson). I am satisfied that it is a serious matter and requires further investigation. I am also satisfied that it would be in keeping with a public accounts committee that wants to have the government always accountable for what it is doing that this committee would support such a motion.

I think there are a number of things that go into making government a place where people want to work, where they want to be part of it. I do not for a moment want to say that I am opposed to promotion of our province, but I do want to say that it is essential that if we are going to do it, it has to be done so that we get the best value for our dollar while we are doing it. I am not satisfied that value is there, but who am I to say? Therefore, it makes more sense to have the auditor come back, after he has made his professional review of this, to say that the process was correct.

I would like him to look at this in several different lights. He can look at the terms of reference under which this video was set up, who asked for it, how it was proceeded with and the terms of reference indicating whether the costs were known at the beginning when this assignment was made. Was there an option for more than one company to respond to this bid or was it just one company that came along and bid on it? Was the price that was paid for this competitive with other prices that you would pay for similar videos? Is it in line with normal ministry practices for the way this whole procedure was carried out?

For that reason, I see this as an important motion. I present it in the hope that this committee will support it. There are a number of other things I could say, but I will leave time for responses from other people who might want to comment.

1030

The Chair: Thank you. I know we will have some comments from other members.

Mr Ballinger: I am pleased to respond to the notice of motion by Mr Cousens. This is my second year on public accounts. I always find it interesting; Mr Cousens is always so provocative. In the two years I have been here, there has been the argument that we are a nonpartisan group and we really should be looking at value for money on behalf of the taxpayers, but Mr Cousens's real agenda is on the table this

morning. I wonder what position your party would take if the roles were reversed in this particular case, if you were in government.

I think Mr Cousens's comments this morning related to whether or not any Liberal friends got the job. It is quite evident that that is the hidden agenda here. It is not the fact that we are looking for value for money on behalf of the taxpayers or whether or not there was money wasted in this particular project.

Mr Cousens: Point of order, Mr Chairman.

Mr Ballinger: You said it, Mr Cousens; it is on the record.

The Chair: What is your point of order?

Mr Cousens: I think that he is assuming, from one aspect of the case that I presented, that that is the only one. I did present other reasons for this motion being brought forward.

The Chair: That is not a point of order. Would you carry on, Mr Ballinger.

Mr Ballinger: What I have a right to do as a member of this committee is interpret those comments that are on the record. You can read Hansard for yourself. It is what you said, Mr Cousens. What you are hoping, in my opinion, which is fairly consistent with the way you approach things, is that there is something there that the government can be embarrassed about.

Mr Cousens: You are not embarrassed right now?

The Chair: Mr Ballinger did listen to you without interrupting, Mr Cousens. Some of his colleagues did not do that, but at least have the courtesy to allow Mr Ballinger to make his remarks.

Mr Ballinger: I want to say that in the two years that I have been sitting on this committee and representing this government, and I do not think that I am stretching it at all, we have consistently tried to be objective. We have not had very many battles in this committee. On a couple of occasions we have had battles that related to warrants, which we as a government really believed were outside the purview of the Provincial Auditor. In general, we supported the resolution on the hiring of Dino Chiesa. As Mr Cousens well knows, we did not stonewall that or try to block that one.

In this particular case, we understand why the motion is before this committee, and keeping that in perspective with what we believe our job really is here in public accounts, we are not trying to hide anything. The government has nothing to hide on this. The minister stood in the House and said, "It's expensive, but it's good."

Here we are discussing a movie which Mr Cousens has at no time asked to see. I have not seen it; I have no idea what it looks like. I do not know the type of technical approach that has gone into it. I would have been more than happy if Mr Cousens had asked this committee to view that movie prior to getting into this discussion, which in my opinion is very partisan-driven.

That is fair; I understand that. On behalf of the government, we have to accept that. We are the government. I say to Mr Cousens that we are quite willing to have the auditor look at this particular project to see whether or not there is value for money on behalf of the taxpayers of the province of Ontario.

His whole argument about tourism, anybody who understands tourism in Ontario will say that it is the American dollar that is dictating the type of American tourism that is coming into this province. It has nothing to do with this government promoting tourism. That is just a joke. The amount of money that is being spent as a province to promote this province internationally will stand up against any argument he wants to pose. In closing, so that I do not become too rhetorical, we are happy to support the motion. The only concern I have in the interpretation is, what does the word "immediately" mean?

I want to respond to the auditor. I think that as a public accounts committee we should be viewing this, either at the time the report comes out or prior to that so that we can at least keep the issue in perspective. We are talking about a \$750,000 video that none of us has even seen. It is used to promote Ontario internationally. I mean, that is the purpose of it. Obviously, as an example, last week when the Premier visited Italy, where we are doing \$1.7 billion in international trade. That is the type of video that should be taken on the road to promote what is happening in Ontario, to encourage investment, the exchange of goods. I mean, that is what this is all about.

Whether or not there is something hidden in the closet or you suspect that some Liberal got this without fair or equitable tendering or you think the money was spent indifferently, as you view it, the auditor, I am sure, as thorough as he is, will bring back a report to this committee and tell us whether or not there is value for money for the people of the province of Ontario on this movie called *Share the Vision* and the print material that went with it. Anybody who knows anything about promotion knows that a movie that is eight or 10 minutes long stays there. First impressions are great, but is it not nice if you can

give a handout that somebody can take with him so that, for ever, he will remember what a great place Ontario is? A portion of that \$750,000 relates to the printed material, as well, that is used as a handout so that people can put it in their briefcases and take it with them.

So I suggest to you, Mr Chairman, that we have no difficulty in supporting Mr Cousens's resolution. I guess the only comment I want to make to the auditor is this "immediately" thing. Lately we seem to be giving you lots of work to do outside the realm of what we normally do here in public accounts, which sometimes is partisan-driven. I have a personal concern about that—the government does not; I do—that we keep getting knocked off our agenda with you about doing what we are really mandated to do, and that is to make sure that the \$42 billion that is spent in this province annually is spent in a logical and conscientious fashion.

The Chair: Thank you. Members of the committee, the auditor has informed me that he could start this audit as of next Monday. It cannot be completed while the House is still in session, because that would be too short a time frame. My proposal to you is that, assuming you pass this motion, and there seems to be some consensus, the auditor table the report with the clerk of the committee and that I, in consultation with the steering committee, schedule when it will be released to the whole committee. It will be released to the whole committee in session; that is, either when the committee is sitting during the prorogation or when the House reconvenes, depending on when we receive it and what the feeling is concerning our schedule—what is on our plate—by the steering committee, if that meets with the approval of the committee. So this will not be released to anyone without the whole committee being in session. That way, then, we avoid any problems of leaks.

Miss Martel wishes to speak.

Miss Martel: Let me just say three things. First, in terms of tourism, which really does not have a great deal to do, integrally, with the question, I just suggest to Mr Ballinger that he might have listened to the chambers of commerce from northwestern and northeastern Ontario yesterday, because it was not their opinion that it was the American dollar that was promoting tourism or causing problems for tourism in Ontario.

They certainly talked about the high price of gasoline in northern Ontario. They talked about the lack of government participation at any of their trade shows for the last number of years. We

are extremely concerned about what was or what was not being done in terms of tourism. We will leave that for another day.

Two other things: In terms of the price, I think it had better be a very good video for the pricetag that is attached to it. Let me just quote what came out of the *Globe and Mail* about this. None of us, I think it is safe to say, is an expert in terms of video. However, the *Globe* did talk to a Geoffrey MacGee, president of A1 Video Productions in Toronto. They produce industrial videos. He said quite clearly that the cost of an eight-minute industrial video that was fairly sophisticated could easily run \$50,000 and he thought the \$750,000 pricetag was high. He did say—and I am going to tell the committee as well—that there might be some circumstances that would justify it.

1040

I am not an expert. I take it he has some expertise in this. I think the pricetag is a little high myself, even if we have not seen the video. I think there is a price factor that has to be taken into consideration and there is a perspective there that we should be taking a look at.

Finally, in terms of our support for the motion, it seems to me that the day the Premier answered the question, if I remember it correctly, he did seem to mumble a bit about responding, and any time the Premier mumbles an answer, it is probably worth looking into. This party will certainly be supporting the motion and looking forward to seeing what the auditor brings forward.

Not wanting to get into the question of whether these are Liberal friends or not, I would ask, since I do not recognize the companies that are involved, either Lauron International or the company Vickers and Benson, which did the contract, that we have a bit of background from the auditor on those two groups when he presents this to us.

Mr Curling: I have no problem supporting an investigation into this, but I want to comment about questions in the House. I know that when you raise questions in the House there is a limited amount of time in which to respond to those questions. The opposition knows that you would not get all the details and the facts about that. We know that the questions in the House are there to embarrass ministers, and they have not been very successful.

Mr Cousens: They are there to give information.

Mr Curling: I can see that because—

Mrs Marland: But these were in Orders and Notices.

Mr Curling: But the responses that I am talking about are those where you said the Premier mumbled his response. You know fully well that the Premier or even the minister cannot give you all the details in such a short time and, furthermore, that you could deduct it.

I just wondered, though, about the question that you were asking. Did you ask the appropriate questions in Orders and Notices in order to get the results that you wanted? If we do that, it may not be necessary for you to have the auditor do an immediate audit on that, and it could save all kinds of money. We speak, of course, of saving money and running it in a very fiscally responsible manner. It costs the auditor in order to have that investigation. Maybe it is easier to ask the proper questions and to get the proper answers on this.

I notice, too, that we insist on talking about the video. There is also a book that is a part of that. I do not know whether or not the book and the video are going to cost that much. I am not an expert in the costs of producing these kinds of films, but I just wondered whether we could be more specific and not be too partisan about it and do it in a proper way. Mr Cousens said that we should run it like a business. The only bottom-line question is that I wonder if we had asked the specific questions in order to get the proper answer to that.

The Chair: I am sure the auditor will be doing a value-for-money audit on this particular matter. I would ask the members of the committee—I do have people on my list—that perhaps from now on, since we do have a consensus that our auditor will conduct this investigation, we could address ourselves to any particular issues or aspects of the inquiry that we may wish him to consider as he does his audit. I notice that Mr Archer did make a note of some of Mr Curling's concerns. Perhaps we might be a little more focused if we look at it from a point of view of, are there any particular aspects of this matter that we think we would like our auditor to be particularly sensitive to in this inquiry?

Mr Neumann: I will be brief. I just want to mention to the speakers opposite who have made reference to the Premier's response that in the House there was another response, I believe a day later, from the minister, which was more detailed and gave information. Perhaps Mr Cousens was not aware of that response, but it indicated the fact that the video had been remade several times for a variety of purposes and this

may have contributed to the total cost of the production.

In terms of your suggestion of what the auditor should look for, I am sure he will. But the uses to which the video has been put, I think, would be something of interest; how, in particular, the government views the purpose of the video. The intended audience, I think, is very important in assessing value for money. I speak with a little bit of experience, and obviously on a much smaller scale, in terms of coming from a community that produced materials to promote a community. This is obviously a similar kind of concept on a larger scale.

It is very difficult to determine the actual results from something like this other than in a general sense that, yes, you are helping to promote trade, you are helping to promote good relations around the world with other jurisdictions. It is pretty hard to measure that, and I would be interested in hearing about measurement criteria that perhaps are used by other jurisdictions on something like this, but I know from my experience it is difficult to come up with measurement criteria.

The Chair: I think Mr Cordiano wanted to comment on that point. I do have Mr Leone on my list, but—

Mr Cordiano: It is a very quick one.

The Chair: If it is on this particular point.

Mr Cordiano: It is a question of measurement. It is a question of that sort of assessment that has to be made.

I think, essentially, this video may not be measurable vis-à-vis an industrial video, because when you talk about an industrial video I think it is a set of criteria that is far different from what we have here in this video. This is, as I understand it, a very high-quality video and almost a mini-film, if you will. I think you have to take that into consideration in terms of the criteria that you use to assess that.

The Chair: I think the point is well taken. It is one of the points that I wanted to make to the auditor. I am sure he is aware of this, that he might want to look at videos turned out by other provinces and other countries that are of a similar promotional nature—

Mr Cordiano: And similar quality, because that may not be the case.

The Chair: —because you cannot compare this to a training film or even to an industrial advertising film—

Mr Cordiano: Exactly.

The Chair: —where you are dealing with a much more captive and more focused audience. I think that is a point well taken.

Mr Leone: I want to add some comments more in a general way than directly to this video, and they are regarding the expenses this government has in the promotion to raise more industry. I have been just recently, last week, as you know, in Italy, and the kind of things those people do in order to promote and to support their programs, they put us really to shame, I would say.

If we want to compete today in the world market, if we want to promote our region, our province, our technology, our ways to start to look at the people, we have to forget some old ways that we have been using. Last year we received a committee from Portugal, I guess, or from Spain—a committee from the Senate of Portugal or Spain, I do not remember. I was to participate in a luncheon, and at this luncheon we had some sandwiches in plastic trays and plastic cups. I felt ashamed, myself. If I had had the time, I wanted to take those people to a restaurant.

Now, is that the way we advertise ourself to the world? Is that the way we want to appear?

We have been in Italy. Some of the members who have been there spent more money than what we spent. They spent it on hospitality, on dinners that were so rich that we were impressed. And when they come here we have to look how we spend the money in giving them some chicken or roast beef and we have to watch that probably the press or the government or the opposition will start to say how much we spent.

We received the support from Italy. The government offered the Premier a DC-9 to take us from Rome to Ortona. This is just an example. I think we have to change our mentality. If we want to compete for the 1996 Olympics and for the 2000 Expo, we have to learn that the world outside acts in a different way. One thing that never appears in the newspapers of the world is the money that is spent for commercials and for hospitality. These are two important things.

1050

I wanted to bring this to your attention, because sometimes we impose on the auditor to spend time on things of this nature when he should look at the overall management of public affairs in the province. These are some of the comments that I felt I had to make.

Yesterday I went to the member for Sarnia (Mr Brandt) and I asked him why he did not come to Italy. It would have been beautiful to have had both the Leader of the Opposition (Mr B. Rae)

and Andy Brandt come with us to show the Italian government that the full government of Ontario was going there. Instead, the response was that the delegation was too big. No, it was not too big. It would have been better to have had with us the Leader of the Opposition so that we would show the interest of Ontario to deal with Italy. This is for the next time. We have to forget this error, and I hope that you understand this error.

The Chair: As is our tradition in this committee, I am going to allow Mr Cousens—I am sorry, I did not see you. Okay, Mrs Marland and—

Mr Adams: I have been on the list for some time.

Mrs Marland: Mr Adams was on the list before me.

The Chair: I did not see you Mr Adams, but I will recognize you later. I do want to point out to the committee that I would like, if possible, to deal in camera with a report. It is not a controversial report, and therefore I think we should be able to get through it in about half an hour, but I think perhaps we could keep our remarks to the substance of the motion. Mrs Marland, Mr Adams, and then a two-minute maximum summation by the mover of the motion.

Mrs Marland: I think that there is a major point being missed here. I understand the defenders of the throne and how they have to reciprocate to the mover of the motion. The big point that is being missed is that when these order paper questions were tabled, we got the information on the less expensive video but there was no information on this video. That begs the suspicion and the questions. That is not the way to do business. That is simply what this motion is all about. It is saying, why, when it is an average price, do we get told everything, every detail, but we are not told about this? That is why it is a problem. I think too, in fairness for the member who said—

Mr Ballinger: When you buy a new dress, do you not tell your husband the same thing?

Mrs Marland: I am taking this question very seriously. From Mr Ballinger's comments, he does not realize that the book was over and above the price of the video. I mean, we are not looking at a small cost for an eight-minute video. One of the things I would like to know when Mr Archer looks into this is whether the \$750,000 included the translation into German, Japanese and

Korean. If it is over and above that, then the true price of the video still is not \$750,000.

I also would like to know whether the general advertising contract with Vickers and Benson—I think somewhere it says it is a three-year contract—whether there is a cap on the budget and whether it is annual and whether there is any limitation within the general advertising budget about how much can be spent on individual items. We go back to this saying that government spends money far more easily on everything than does the private sector because the government often ends up being less accountable. I do not think there is any argument in this committee about the use of the video or the necessity for a video. It is purely a question of how much is necessary to be spent. I think, frankly, that Vickers and Benson should be asked whether it tendered out the video within its own contract.

Obviously, there is all kinds of promotional material that is superb for an eight-minute presentation that never costs \$750,000. As a matter of fact, I noticed there is a quote here where the Premier says that he wishes the video had been cheaper to produce “especially now that the Tory leader, Andy Brandt, has done some comparative pricing.” If the Premier is saying he wishes the video had been cheaper to produce, that should certainly raise a question in the Vickers and Benson corporate offices to make sure that the company does start tendering stuff, even if it has a government contract.

We have a shortage of money to look after people who cannot access health care, we do not have the cancer treatments, we do not have the hospital beds, we do not have the heart surgery and we do not have affordable housing, but in 1988 this province spent \$750,000 on a video. It is not a question of promoting the province; it is simply a question of this particular film.

Frankly, I think we should all be embarrassed about the fact that that amount of money was spent. I really feel the question about the book is just as relevant as the video and that who gets these materials, who uses them, should be part of the justification for spending \$1 per page on a book. I think all of those questions are critical and obviously accountable to the public of Ontario. Certainly, as one representative of the people in Ontario, I look forward to the auditor's report on this matter.

Mr Adams: In response to that, I would say that movies are like speeches. In fact, it is often more difficult to produce a good short speech than it is to produce a long speech. Therefore, as with movies, it may well be more expensive. The

best example of that, of course, is the 30-second commercial and the amount of money that goes into a 30-second commercial in order, in a very short period of time, to get a message across.

To follow up on what Mr Leone said about advertising the province, only yesterday I attended a cabinet delegation where a large group from northern Ontario was meeting with cabinet to ask that the province advertise itself more abroad, so the area of activity we are considering is, I think, a very important one.

The main point that I wanted to make is that I understand exactly that Mr Cousens, and I believe quite properly, is playing his role in this Parliament. I understand that. My concern with his remarks is his implication for the public accounts process. Those of us on this side of the House are very proud of the way the public accounts process in this province has developed these last four years.

Four years is not a long time in the life of the province of Ontario. I would just like, and it will take me two minutes, to read into the record some of your own remarks, Mr Chairman, at the Canadian Comprehensive Auditing Foundation Conference about the public accounts process in Ontario. I want to direct these comments, which are in fact yours, and you are a member of the official opposition, to Mr Cousens's remarks.

"The public accounts committee of the Ontario Legislative Assembly has in recent years continued to expand its reporting on the audits conducted by the Provincial Auditor. The committee's approach has evolved beyond formal reviews and discussions with delegations to include field trips...."

"The Ontario public accounts committee's goal to hold the government accountable has expanded and strengthened over the years," and, I would suggest, particularly the last four years. "In this regard, the committee has broadened the areas of government activity which it reviews. At one time, the committee confined its investigations to the activities and direct expenditures of government departments...."

"The Provincial Auditor of Ontario is now expanding his role by reviewing the system of tax expenditures and exemptions. The scope of the audits will include, for example, the transfer payments to schools, municipalities, hospitals and universities. These payments account for about half of Ontario's expenditures. We expect that this will result in even greater activity on the part of our committee."

Mr Chairman, those are, I know, your remarks. But I would say to Mr Cousens, and I know he is proud of what we have done on this committee, that we on our side take considerable credit for the development of the public accounts process in the province of Ontario, and that is one of the reasons we are supporting Mr Cousens' motion today.

The Chair: You can have a brief summary directed at the content.

Mr Cousens: I really had no idea and no sense of whether this committee, with the exception of possibly the opposition party, would support the motion. For that reason it was important to put on the table a number of the concerns behind it. When my friend the member for Peterborough reads that statement, you may believe those lines. I still have a sense in which the Liberal caucus has tremendous dominance over Liberal members in all committees of the Legislature, as was the case yesterday with Mrs Marland in another situation.

Mr Adams: With a very healthy effect these last four years.

Mr Cousens: I am just saying my sense is that I would like to see the committee more open and see it remove partisanship. When I came in this morning I had no sense of knowing whether your caucus would support this motion. For that reason it caused me to bring out a number of points which were further accentuated by the questions raised around the room.

I am very pleased that your caucus, which controls this committee by its numbers, will support the motion. I am pleased it will proceed. If, in fact, the auditor comes through and is able to satisfy our concertion—I mean there are not a lot of things left over on that one, but it has cleared the air on it—I think that something good will happen for the people of Ontario.

My bottom-line position is that we, as a committee, have to have that sense of openness and fair play. I did not know that you would be doing it, so therefore, if I went off a little bit more, it was because I had no sense of confidence that the Liberals would support it.

Mr Ballinger: But we rose to the occasion.

Mr Cousens: I am not finished. I would like to just make sure that when the auditor is doing his review that you would look over the last couple of years on videos. It would not be just in the last fiscal year. You might well be looking at some other ministries that may well have done some videos as well.

I do not think it is necessary to go on an international road trip to find out what is happening. That was raised by some other people.

I thank you for your support.

The Chair: Shall Mr Cousens's motion carry?

Motion agreed to.

Mr Ballinger: I trust that the auditor understands the intent of the motion and will proceed.

The Chair: The auditor understands perfectly the intent of the motion.

Mr Cousens: I could go in and explain it to him.

The Chair: If I may have the luxury, from the chair, of a slight editorial comment, I had indicated to a number of members how pleased I was at the way in which we handled some fairly controversial and, I think, substantive reports. I think we did a particularly good job on the Dino Chiesa case.

I have noted today that perhaps the rhetoric is higher than I have heard it in a long time and I would hope that in the future we can return to the same kind of co-operation that we have had in dealing with some other controversial matters.

Mr Ballinger: With the greatest respect, I think the biggest problem is we have not had an audience for some time, and it seems to have had some impact on this committee. Traditionally, we sit here and nobody ever comes. The press does not come, nobody ever comes and we just sort of—

Mr Cousens: Sometimes you do not even bother to come.

Mr Adams: We are normally in camera rather than on camera.

The Chair: You may not have had an audience, but I have had considerable audience on a couple of our reports. There have been some people.

Mr Ballinger: I appreciate that, but you hold your own press conferences out in the hall after the meeting.

The Chair: That is my nonpartisan role, to explain how well we are all doing.

Peter Adams did mention the remarks I made in my presentation at the Canadian Comprehensive Auditing Foundation Conference. They have been distributed to you. The text is considerably longer than the speech that I gave. I rarely speak directly from a text, but I hope that some of you who were not there will have an opportunity to read it.

I would also like to suggest that since there was some valuable information coming out of that and some new, exciting developments, I think, in expanding the field of comprehensive auditing, more particularly in the field of evaluation, and since the foundation has turned out some very interesting materials, I will be asking the subcommittee to perhaps schedule one or two sessions later in the year dealing with the innovations and developments in the field of evaluation. Indeed, at that time we might invite the deputy ministers to participate in some of this and see what we are doing.

Mr Cousens: I would like to go on record, whether a motion is needed on it or not. I would like to compliment yourself and in particular our own Provincial Auditor for the role they played in what I understand was a very successful conference. I know that it is not an easy thing to put on. We participate in them in other cities, but the fact that it was in Toronto and our own committee was represented in such a strong way, I think, is a tribute to the excellence that is coming from the Provincial Auditor and from members of our committee and support staff. From my position, I think I represent the whole committee in saying that and commend you for it.

The Chair: Thank you. Our visitors might be interested in knowing that in the last three years there have only been two recorded votes in this committee. We have managed to do all of our business by consensus. In the case of one of those two recorded votes, it split not along party lines but across party lines. It may be of interest to you, knowing how well your public accounts committees work in places like New South Wales and so forth.

Mr Ballinger: They are all smiling.

Mr Cousens: Would there be any value in their talking to us for five minutes?

The Chair: At least that is how they tell us they are operating.

Mr Cousens: Is there any chance that they can just take five minutes and tell us how their committee—

The Chair: I was going to ask the committee. We are going in camera in a moment. Would you like, before we do that, to hear from any of our guests who may wish to comment?

The report that you now have before you, remember, is still not an approved report, so we assume that you are going to hold on to it even if we do not get to it. Do any of our guests care to introduce themselves and comment or would

Doug Archer care to introduce some of our guests?

Mr Archer: I do not want to put anybody on the spot in particular, but I think, Peter, you are sort of the designated leader of this group.

The Chair: Since we do not have a microphone available and I would like to have this as informal as possible, I am going to ask that we go

in camera for this. Perhaps that will be easier, for everybody to speak from wherever they are.

Mr Adams: For the record, has it been clearly stated who our visitors are so that it is known that they are here?

The Chair: I introduced them at the beginning.

The committee continued in camera at 1109.

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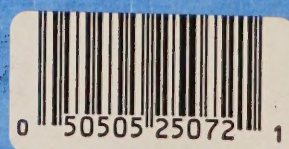
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- Chair:** Philip, Ed (Etobicoke-Rexdale NDP)
Vice-Chair: Pouliot, Gilles (Lake Nipigon NDP)
Adams, Peter (Peterborough L)
Ballinger, William G. (Durham-York L)
Cordiano, Joseph (Lawrence L)
Cousens, W. Donald (Markham PC)
Curling, Alvin (Scarborough North L)
Leone, Laureano (Downsview L)
Martel, Shelley (Sudbury East NDP)
Poole, Dianne (Eglinton L)
Villeneuve, Noble (Stormont, Dundas and Glengarry PC)
Substitutions:
Marland, Margaret (Mississauga South PC) for Mr Villeneuve
Neumann, David E. (Brantford L) for Ms Poole
Clerk: Manikel, Tannis
Staff:
McLellan, Ray, Research Officer, Legislative Research Service
Witness:
From the Office of the Provincial Auditor:
Archer, Douglas F., Provincial Auditor

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